The Empire Club of Canada

Founded 1903

Addresses 1984-1985

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THE EMPIRE CLUB OF CANADA

Portrait by Karsh, Ottawa

HER MAJESTY, THE QUEEN
HIS ROYAL HIGHNESS THE PRINCE PHILIP,
DUKE OF EDINBURGH

Her Majesty is wearing the Insignia of the Sovereign of the Order of Canada and of the Order of Military Merit

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The Empire Club of Canada

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The Empire Club of Canada

Founded 1903

Addresses 1984-1985

GOD SAVE THE QUEEN

Glenn Brown

CATHERINE R. CHARLTON, M.A.
President, 1984-1985

The Empire Club of Canada

PRESIDENT'S MESSAGE

Nineteen eighty-four, eighty-five has been an outstanding year for Canada, and in the tradition of the Empire Club, we have joined in marking the events of the day. The visit by Her Majesty the Queen and Prince Philip was a happy occasion; history was made when Pope John Paul II arrived for the first papal visit to Canada. Both occasions are recorded in this 1984-85 *Yearbook*, along with visits to the club by leaders representing many fields of endeavour.

The Empire Club *Yearbook*, published continuously since 1903, presents a lasting record for all to enjoy. Published by the Empire Club Foundation, under the outstanding leadership of MGen. Bruce J. Legge, Q.C., it is distributed to Canadian educational libraries, as well as to the 2,800 members of the club.

It has been a pleasure for me, the first woman President, to lead this distinguished Club, and I trust that you will enjoy the selection of speakers whose addresses follow. My sincere thanks go to the directors and members of the club for their interest and support throughout the year.

C.R. Charlton

The Empire Club of Canada

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Kenneth G. Whiteside, C.A.

The Empire Club of Canada

PAST PRESIDENTS

Past Honorary Presidents

†1903–1912	Rt. Hon. Lord Strathcona and Mount Royal, G.C.M.G., LL.D., D.C.L.
†1913–1926	Field Marshal H.R.H. The Duke of Connaught and Strathearn, K.G., G.C.M.G.
†1927–1931	Rt. Hon. Viscount Willingdon, G.C.S.I., G.C.M.G.
†1931–1935	Rt. Hon. The Earl of Bessborough, P.C., G.C.M.G.
†1935–1940	Rt. Hon. Lord Tweedsmuir, G.C.M.G., C.H.
†1940–1946	Rt. Hon. The Earl of Athlone, K.G., G.C.B., G.C.M.G., D.S.O., V.D.
†1947–1959	Field Marshal, The Rt. Hon. The Earl Alexander of Tunis, G.C.B.
†1960–1967	General, The Rt. Hon. Georges P. Vanier, P.C., D.S.O., M.C., C.D.
1968–1974	Rt. Hon. D. Roland Michener, P.C., C.C., C.M.M., C.D., Q.C.
†1974–1979	Rt. Hon. Jules Léger, P.C., C.C., C.M.M., C.D.
1979–1983	Rt. Hon. Edward R. Schreyer, P.C., C.C., C.M.M., C.D.

Past Presidents

†1903–1905	BGen. The Hon. James Mason, K.ST.J.
†1905–1906	Rt. Rev. William Clark, D.D., LL.D., D.C.L.
†1906–1907	J.P. Murray, J.P., F.R.E.L.
†1907–1908	J.F.M. Stewart
†1908–1909	D.J. Coggin, M.A., D.C.L.

---

†Deceased

†1909–1910	Elias Clouse, M.D., C.M., L.F.P.S. Glasgow, L.R.P.S. Edin.
†1910–1911	J. Castell Hopkins, F.R.S.
†1911–1912	F.B. Featherstonhaugh, K.C., M.E.
†1912–1913	Rt. Rev. James F. Sweeney, M.A., D.D., D.C.L.
†1913–1914	Hon. Mr. Justice James Craig, K.C.
†1914–1915	LCol. R.J. Stuart
†1915–1916	Albert Ham, MUS.D., D.C.L., F.R.C.O.
†1916–1917	James Black Perry
†1917–1918	Norman Sommerville, M.A., K.C.
† 1918	F.J. Coombs
† 1919	R.A. Stapells
† 1920	Arthur Hewitt
† 1921	BGen. C.H. Mitchell, C.B., C.M.G., D.S.O., LL.D.
† 1922	Sir William Hearst, K.C.M.G., K.C., LL.D.
† 1923	Ellis H. Wilkinson
† 1924	William Brooks
† 1925	Rev. R.N. Burns, D.D.
† 1926	Col. A.E. Kirkpatrick, HON. A.D.V., V.D.
† 1927	Col. Alexander Fraser, LL.D., A.D.C.
† 1928	Robert H. Fennell, K.C.
† 1929	Hugh S. Eayrs
† 1930	John D.M. Spence, K.C.
† 1931	H.G. Stapells, Q.C.
†1932–1933	Col. The Hon. George A. Drew, P.C., C.C., C.D., Q.C., LL.D.
†1933–1934	Major James Baxter, M.C.
†1934–1935	Hon. Mr. Justice Dana H. Porter, C.J.O., Q.C., LL.D.
†1935–1936	J.H. Brace
†1936–1937	Major G.B. Balfour, K.C.
†1937–1938	Major R.M. Harcourt
†1938–1939	J.P. Pratt, Q.C.
†1939–1940	F.A. Gaby, B.A.SC., D.SC.
†1940–1941	The Hon. G. Howard Ferguson, P.C. (CAN.), K.C.
†1941–1942	C.R. Sanderson, M.A., LL.D.
†1942–1943	John C.M. MacBeth, K.C.

---

†*Deceased*

†1943–1944	W. Eason Humphreys
†1944–1945	Charles R. Conquergood
†1945–1946	Eric F. Thompson
†1946–1947	Major F.L. Clouse
†1947–1948	Tracey E. Lloyd
†1948–1949	T.H. Howse, F.C.I.S.
†1949–1950	H.C. Colebrook
1950–1951	Sydney Hermant
†1951–1952	D.H. Gibson, C.B.E.
1952–1953	John W. Griffin
1953–1954	Arthur E.M. Inwood
1954–1955	James H. Joyce
†1955–1956	C.C. Goldring, D.PAED., LL.D.
†1956–1957	Donald H. Jupp, O.B.E.
†1957–1958	LCol. W.H. Montague, O.B.E.
1958–1959	MGen. B.J. Legge, C.M.M., K.ST.J., E.D., C.D., Q.C.
1959–1960	Harold R. Lawson, F.S.A.
1960–1961	Hon. Alexander Stark, Q.C.
†1961–1962	Dr. Z.S. Phimister, LL.D.
†1962–1963	Dr. J. Palmer Kent, Q.C.
1963–1964	Major Arthur J. Langley, C.D.
1964	The Rt. Hon. D. Roland Michener, P.C., C.C., C.M.M., C.D., Q.C.
1964–1965	LCol. Robert H. Hilborn, L.V.O., M.B.E., C.D.
†1965–1966	Col. E.A. Royce, E.D.
1966–1967	R. Bredin Stapells, Q.C.
1967–1968	B. Graham M. Gore
1968–1969	Edward B. Jolliffe, Q.C.
1969–1970	H. Ian Macdonald, O.C., K.L.J., B.COM., M.A., B.PHIL., LL.D.
1970–1971	H.V. Cranfield, M.D., F.R.C.P.(C)
1971–1972	Henry N.R. Jackman
1972–1973	The Hon. Mr. Justice Joseph H. Potts, C.D.
1973–1974	Robert L. Armstrong
1974–1975	Sir Arthur R.T. Chetwynd, Bt.
1975–1976	H. Allan Leal, Q.C., LL.D.

---

†*Deceased*

1976–1977	William M. Karn
1977–1978	Peter Hermant
1978–1979	BGen. Reginald W. Lewis, C.D.
1979–1980	John A. MacNaughton
1980–1981	Reginald Stackhouse, M.S., L.Th., Ph.D, D.D.
1981–1982	BGen. S.F. Andrunyk, O.M.M., C.D.
1982–1983	Henry J. Stalder
1983–1984	Douglas L. Derry, F.C.A.

The Empire Club Foundation

BEQUESTS TO THE FOUNDATION

This Yearbook of the Empire Club of Canada is published by The Empire Club Foundation which is recognized by the Department of National Revenue as a charitable foundation for tax purposes. Over four thousand copies of the Yearbook are distributed free of charge to educational libraries.

Would you please remember the Foundation in your Will to enable it to carry on the uniquely Canadian, patriotic and historic work of the Foundation. If you wish to help the Foundation, the following form of bequest is recommended.

> "I give and bequeath to The Empire Club Foundation,
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> the sum of $__________ to be used for its general
> charitable purposes."

For enquiries, please call the Empire Club of Canada at telephone number (416) 364-2878.

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The opinions and views expressed in the addresses contained in this volume are those of the speakers themselves and do not necessarily carry the full or partial endorsement of The Empire Club of Canada.

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Her Majesty Queen Elizabeth II and His Royal Highness Prince Philip

THE ONTARIO BICENTENNIAL DINNER

October 2, 1984
Convention Centre
Toronto Hilton Harbour Castle

The Hon. William G. Davis, P.C., Q.C. Chairman

Joe Marino, Toronto Sun

Her Majesty Queen Elizabeth II reacts to the Hon. William G. Davis, Premier of Ontario

Program

Royal Salute	Salute Royal
Grace LCol. The Rev. John W. Foote	Prière Lt-Col. le Rèv. John W. Foote
Loyal Toast	Toast de loyauté
God Save The Queen	Dieu protège la Reine
Address The Hon. William G. Davis, P.C., Q.C. Premier of Ontario	Allocution L'honorable William G. Davis, C.P., C.R. Premier ministre de l'Ontario
Her Majesty The Queen	Sa Majesté la Reine
National Anthem	Hymne national

God Save The Queen.

Her Majesty Queen Elizabeth II and His Royal Highness The Prince Philip arrived in Canada on September 24, 1984 for a two-week visit. Their Ontario stops at Ottawa, Toronto, Cornwall, Prescott, Windsor, Brantford and Sudbury highlighted celebrations for both the Ontario Bicentennial and the city of Toronto's Sesquicentennial.

Two past presidents of the Empire Club were deeply involved in the Royal Visit. Col. Robert Hilborn, L.V.O., M.B.E., C.D., was Director General of the Royal Visit for the Province of Ontario and BGen. Reginald Lewis, C.D.,[1] was Chairman of the Royal Visit Committee for the city of Toronto. The President, Catherine Charlton, was honoured to represent the Empire Club at both the Sesquicentennial Luncheon and the Bicentennial Dinner on October 2, 1984.

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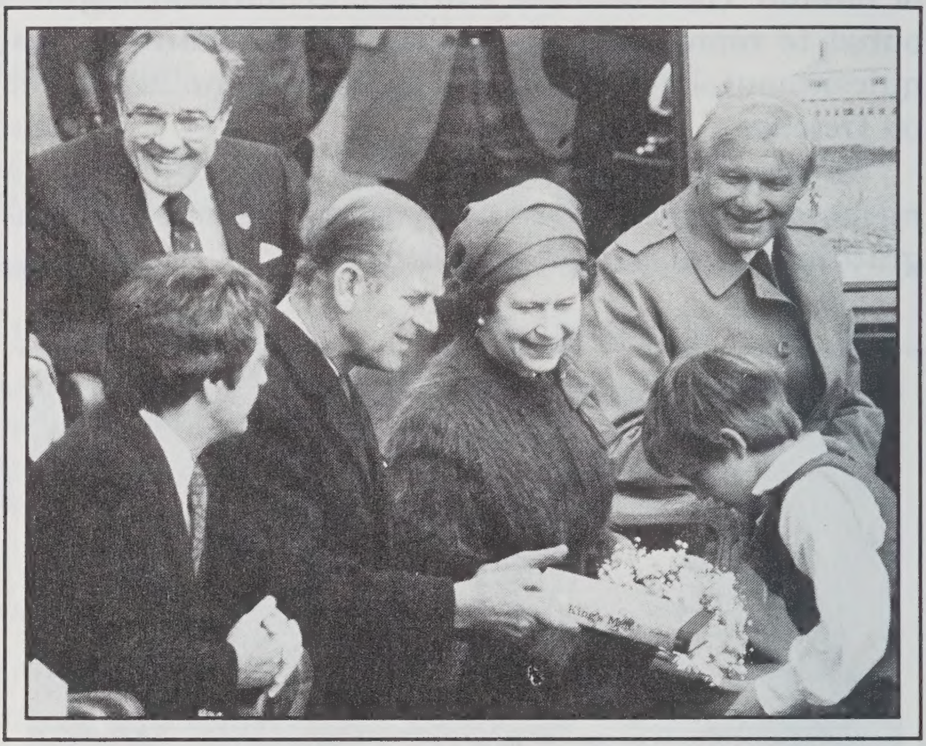
[1] *BGen Lewis was promoted to Major General in January, 1985.*

We take pride in the outstanding contribution to this memorable visit by our two past presidents and congratulate them on a job well done.

Peter Goodwin

BGen. Reginald Lewis, C.D., Chairman of the Royal Visit for the city of Toronto is presented to Her Majesty Queen Elizabeth II. Mayor Arthur Eggleton is in the background



Kolley, Globe and Mail

Col. Robert Hilborn, Director General of the Royal Visit for the province of Ontario looks on as Her Majesty the Queen receives flowers

CELEBRATING TOGETHER · FETONS ÇA ENSEMBLE
1784 · ONTARIO · 1984

Joint Meeting of The Empire Club of Canada and The Royal Commonwealth Society (Toronto Branch)

DOMINION OF CANADA DAY LUNCHEON

June 29, 1984
The Sheraton Centre

Co-Chairmen

Catherine R. Charlton, M.A.
President, The Empire Club of Canada
and
Sir Arthur Chetwynd, Bt.
President, The Royal Commonwealth Society (Toronto Branch)

Program

The Toronto Children's Chorus

Sing Sea to Sea	Howard Cable
Jerusalem	Sir Hubert Parry
The Maple Leaf Forever	Alexander Muir
A Medley of Songs from "Oliver"	Lionel Bart
Land of Hope and Glory (from Pomp and Circumstance)	Sir Edward Elgar
Accompanist	Ruth Watson Henderson
Director and Founder	Jean Ashworth-Bartle

C.R. Charlton

To help celebrate Canada's birthday, the Empire Club of Canada and the Royal Commonwealth Society, Toronto Branch, are honoured to have fifty members of the renowned Toronto Children's Chorus, who will offer a musical rendition. This group of boys and girls, aged nine to sixteen, under the musical direction of Jean Ashworth-Bartle, has performed with the Toronto Symphony, the Toronto Mendelssohn Choir, and this summer is performing in Europe.

Toast to Canada and the Commonwealth
The Hon. Bette Stephenson, M.D.
Minister of Education and Minister of Colleges
and Universities, Province of Ontario.

Dr. Stephenson

Ladies and gentlemen: In honour of the 117th birthday of our magnificent country, would you rise and join me in a toast to Canada and the Commonwealth of Nations, our extended family.

Reply to Toast to Canada and the Commonwealth
MGen. Bruce J. Legge, C.M.M., K.St.J., E.D., C.D., Q.C.
National Chairman, The Royal Commonwealth Society
and Chairman, The Empire Club Foundation

MGen. Bruce Legge

Madam Chairman, Mr. Chairman, Madam Minister, distinguished guests, members and friends of our two organizations: It is a great pleasure for me to respond to the typical brevity of the Honourable Minister in proposing the toast to Canada and the Commonwealth.

Robin Kobryn

The Toronto Children's Chorus, directed by Jean Ashworth-Bartle

I can assure you, of course, that her brevity in no way reflects her love of country – it is much longer than that.

Actually, I must tell a little story because the Minister would feel hurt were she not recognized in this way. The Pope eventually died, reported to St. Peter and was asked to wait in the waiting room. There were other people going and coming and a person came in that took precedence to the Pope in being attended to by St. Peter. The Pope intervened and said, "St. Peter, how is it that a person like me who has been Pope and very devoted to my Christian duties, is superseded by someone else in entering heaven"? St Peter replied, "Well, I think holiness has nothing to do with your merit, but it has to do with the fact that this is the first Cabinet Minister from Ontario we've ever had apply for admission to Heaven and of course we've already had platoons of Popes".

Well, Madam Minister, we know your position on Canada and the Commonwealth and the Crown and it is just perfect as far as the members of these clubs are concerned. It is good that we remember our 117th birthday and I think Bob Hope was very much in point when he said you really have to start worrying when the cost of the candles is more than the cost of the cake. One hundred and seventeen candles is quite a lot for a country, but if you consider the five-thousand year history of China or the three, four, five-thousand year history of the Jewish people we are not exactly an ancient organization.

We should also remember the War of 1812 to 1814, where Canada's nationality was really formed, particularly at the Battle of Stoney Creek (which I mention simply because the Honourable Lincoln Alexander knows all about Stoney Creek coming from Hamilton as he does). At that great and famous battle the British Canadians and Indians managed to infiltrate at night some 600 soldiers into a large American encampment of 3,000 people and of course won a great victory. However, in the year 1812, Napoleon had 600,000 troops marching on Moscow, so we have never been a very numerous or important country save and except for what we stand for!

I think, Madam Minister, if I may say so, that the Sesquicentennial shows what we stand for and I know that everyone here would want to felicitate General Lewis for the absolutely marvellous job that Toronto has done in celebrating the 150th anniversary of our great city.

As a member of the Bicentennial Commission, I want to make this point. In 1784 when this part of the world was first populated, Edmund Burke said in the House of Commons that it was passing strange that His Majesty's possessions in British North America were populated by disenfranchised Highlanders, by retired soldiers, by French Canadians, by Indians and by Tories who were driven out of the Thirteen Colonies. Canada started with an assortment of people and we have a marvellous assortment of people in Canada. In the Bicentennial Commission we say that it does not matter when you came to Canada but it matters that, like General Lewis, you are a Canadian by choice. If you want to reside and be a Canadian in Canada then you are as Loyalist as the ancestors who came here in 1784.

On this Happy Birthday occasion, Madam Minister, I thank you for what you are, for what you stand for in the government of Ontario, and for your toast to Canada and the Commonwealth.

Head Table

Sir Arthur Chetwynd, Bt.,
Knight Commander of the Order of St. Lazarus
President, Royal Commonwealth Society (Toronto Branch)
Past President, Empire Club of Canada

Malcolm R. Eastburn
Consul (Commercial Information),
British Consulate General's Office, Toronto

Montague Larkin, C.A.
Chairman, Royal School of Church Music
Second Vice President, Empire Club of Canada

MGen. Bruce J. Legge, Q.C.
National Chairman, Royal Commonwealth Society
Chairman, The Empire Club Foundation

BGen. Reginald W. Lewis, C.D.
Vice Chairman, Royal Commonwealth Society
Past President, Empire Club of Canada
President, Toronto Sesquicentennial

Michael A. Meighen, Q.C.
Partner, McMaster and Meighen
Third Vice President, Empire Club of Canada

Canon Borden Purcell
Chairman, Ontario Human Rights Commission

Harry T. Seymour
Vice President and Director, Dominion Securities Pitfield Ltd.
First Vice President, Empire Club of Canada

The Hon. Bette Stephenson, M.D.
Minister of Education and Minister of Colleges and Universities, Province of Ontario

M. Louis Vorms
Consul General of France

The Hon. Brian Mulroney, P.C., M.P.

Leader of the Progressive Conservative Party
of Canada and Leader of the Opposition

AN ADDRESS PRESENTED DURING THE 1984 CANADIAN GENERAL ELECTION

August 28, 1984

At a meeting held jointly by
The Empire Club of Canada
and
The Canadian Club of Toronto

Co-Chairmen
Catherine R. Charlton, M.A.
President, The Empire Club of Canada
and
Mary Alice Stuart
President, The Canadian Club of Toronto

C.R. Charlton

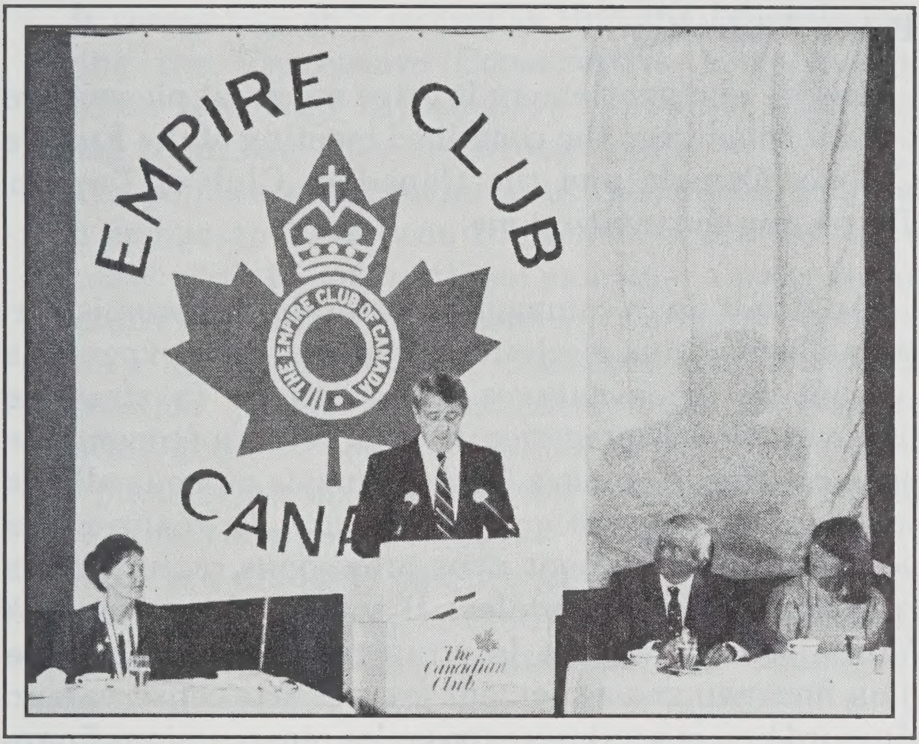
Honoured guests, ladies and gentlemen: This is an important week for our two clubs. We are hearing from the leaders of Canada's two major political parties. While the election campaign has no doubt prompted, or perhaps pre-empted the timing, it is the culmination of long-range planning on the part of both clubs. Mary Alice Stuart, the President of the Canadian Club, and I, first met on March 14 to discuss the possibility of a federal election, and to agree that we should, jointly, host luncheons for the Prime Minister and the Leader of the Official Opposition.

Today, it is my pleasure to introduce the leader of the Progressive Conservative Party of Canada and the Leader of the Opposition, the Honourable Brian Mulroney.

In the midst of an election, with all the attendant publicity, I feel confident that most people in the audience will have heard of our speaker. Some may even be active supporters of Mr. Mulroney and his party. At the same time, I have read press reports suggesting that there is some difficulty in distinguishing between our speaker and his major opponent. In an effort to clarify matters, Mr. Mulroney is quoted as saying, "I was working as a truck driver in Baie Comeau when my opponent was dancing with Princess Margaret." Well, Mr. Mulroney, I observe that once again you have missed being part of the Royal scene. The record will show that you were the leader who did not un-invite the Queen earlier this summer.

But regardless of history, we are here today to judge for ourselves what manner of man leads the Progressive Conservative Party of Canada. I shall briefly state the facts. Mr. Mulroney is from Baie Comeau, Quebec and he is a graduate of two Canadian universities – St. Francis Xavier University, Nova Scotia, and Laval University, Quebec. He has earned a bachelor's degree in political science and a degree in law. He has practised as a lawyer in Montreal, and is notable for his participation in the Cliche Royal Commission on Violence in the Quebec construction industry. In 1976 he was appointed Executive Vice President of the Iron Ore Company of Canada, a company in which he then served as Chairman and President until his resignation in 1983.

Throughout the years, Mr. Mulroney has been active in the Progressive Conservative party. He first came to national attention in 1976 when he ran for the leader-



Rod Crookston and Associates

Catherine Charlton; The Hon. Brian Mulroney, P.C., M.P.; The Hon. William G. Davis, P.C., Q.C., Premier of Ontario; Mrs. Mila Mulroney

ship of the national party at the age of thirty-six. While he was not successful in his early bid, he was elected to the leadership of the party at its next convention, in 1983.

This summer, for the first time, he leads his party in a national, general election. This election, to quote Mr. Mulroney, "is about a new day, a new attitude, a new prosperity. It's about new hope and challenges for Canada". We are ready for the challenge and we welcome the candidate for Manicouagan, the Leader of the Official Opposition, the man who would be Prime Minister, the Honourable Brian Mulroney.

Brian Mulroney

Ladies and gentlemen: It gives me great pleasure to be able to address the combined meeting of the Empire Club of Canada and the Canadian Club of Toronto. Thank you for inviting me.

Au début de la campagne électorale, j'ai promis personnellement aux électeurs canadiens, que j'exposerais le coût et les avantages financiers de la stratégie progressiste conservatrice, pour la relance économique et la création d'emplois. Je préconisais où nous allions investir, où nous étions en mesure de réaliser des économies, et comment nous prévoyions receuillir des recettes gouvernementales. Il y a quelques jours à Vancouver, j'ai énoncé la stratégie macroéconomique d'un nouveau gouvernement progressiste conservateur. Aujourd'hui, je voudrais exposer les répercussions financières de notre stratégie.

> *... I made a personal pledge to the Canadian electorate ...*

At the beginning of this election campaign, I made a personal pledge to the Canadian electorate that I would outline the costs and benefits of the Progressive Conservative strategy for growth and jobs – where we would invest, where we would save, and how we planned to raise the revenues. A few days ago, in Vancouver, I described the macroeconomic strategy of a new Progressive Conservative government. Today, I want to describe some of the financial implications of our strategy. May I say that it is with a sense of irony that I do so.

It seems like only yesterday that the Liberals were saying the Progressive Conservative party had no policies. Now, they say we have too many! They were wrong then. And they are wrong now.

The policies which we have outlined during this election campaign have been the result of almost twelve months' work by our national caucus – a process that is entirely without precedent in Canadian political history. Using the limited resources available to an Opposition party, we have attempted to evaluate existing and new policy initiatives so we could outline our plans *before* election day not *after,* as the Liberals have done time and time again. We believe our efforts have been a uniquely positive step – we hope so in any case – one which should be continued in future elections. I say that without any malice because I genuinely believe it would limit the hidden agendas which Canadians have suffered under successive Liberal governments.

Do you remember?

- 18 cents a gallon is too much
- wage and price controls; zap you are frozen
- the end of the Crow
- the National Energy Policy
- drastic cutbacks in Via Rail by order-in council, late on a Friday night?

These policies were either fought against or never mentioned by the Liberals during national election campaigns – and then they totally reversed themselves once in government. This is the kind of agenda which Mr. Turner I suspect is hiding from the Canadian electorate during this campaign. Indeed, I would be very interested to hear Mr. Turner explain, as I expect he shall, to us how his *words* of fiscal responsibility match his *actions* and those of his lieutenants. Because together, the

Liberals have promised at least $4.5 billion in election goodies since April. But enough of past Liberal ways.

Today, with your indulgence I want to look to the future, and outline what Canadians can expect from a majority Progressive Conservative government. As you know, the next government of Canada will be taking office mid-way through the current fiscal year, 1984-1985, which began on April 1. Budgets for this year were set last February and most of that money has already been spent by the Liberal party in a desperate attempt to maintain power. The new government will also be taking office at a time when interest rates are high, and the recovery is fragile. Given this reality, what can Canadians expect from a new government?

No responsible Canadian anticipates for a moment that all our programs – with their costs and attendant benefits – would be introduced within the first day or the first month of a new government. In fact, when we announced a series of economic development policies in Prince Albert, I said in a formal statement released to the media on July 5:

> "Our policy commitments will be introduced *over the course of our mandate* to complement and enhance our national program for economic renewal."

This point was re-emphasized in Sherbrooke, Quebec and Halifax, Nova Scotia, where we announced additional policy initiatives. Our policies, with their costs and their benefits, are designed for introduction over a four- to five-year period, the normal life of a majority government.

Canadians can expect, however, a new government to be open and honest, and to introduce new concepts of consultation and cooperation.

(1) Accordingly, we will be releasing a new financial statement as soon as possible, updating the forecast for this fiscal year and for fiscal year 1985-1986. We will tell Canadians what the leader of the Liberal party has refused to tell them – the true state of our public finances.

(2) We will permit the Auditor General of Canada unrestricted access to all spending sources of the government with a view to providing the Canadian people with a full and complete accounting of the public finances of the government of Canada.

(3) We will convene an early first ministers' meeting on the economy to begin consultations on the next full-scale budget. We want the input and counsel of the premiers and the provinces so as to articulate national economic strategies in a coherent and complementary manner.

(4) Parliament will be recalled at an early moment to deal with national economic reconstruction and other urgent and outstanding issues, including some of those I will be discussing today.

(5) We will then expand this process of consultation at a national economic summit, where government, management, labour, women's representatives and other major groups will meet to define new national goals for Canada and a fair and equitable manner in which they can be achieved.

Within the severe financial constraints we shall inherit, we believe the following initiatives are appropriate this autumn. In order to offset the high cost of credit in key sectors of the economy, we will move to eliminate refinery taxes on petrochemical feedstocks and the nine per cent sales tax on fuels used by our primary producers in those key export sectors of forestry, fisheries, mining, energy and agriculture.

There is no use deluding ourselves that Canada can have made-in-Canada interest rates overnight, unless we want to change from an open and mixed to a closed and fixed economy, and that would mean a huge drop in our standard of living. Given this fact of economic life, we believe the prudent response to our current dilemma in the short run, is to keep our interest rates as low as possible without causing a run on the dollar, and to offset the high cost of credit in key sectors of the economy by lowering *other* production costs.

> *... There is no use deluding ourselves that Canada can have made-in-Canada interest rates overnight ...*

We will announce changes to the personal income tax system for calendar year 1985. We are committed to simplifying and reforming the Canadian personal income tax system; we want to make it more fair and more productive. Our goal is to ensure that wealthy Canadians with substantial unearned income cannot use tax shelters to avoid paying a fair and reasonable tax.

Our goal is also to unfetter the private sector – especially the small business sector – so as to enhance that entrepreneurial spirit and creative genius that encourages risk, rewards productivity and creates new economic opportunities for Canada.

As I have said repeatedly, the goal of a Progressive Conservative government will be to protect and improve the social safety net. We believe the plight of Canadian widows and widowers between the ages of sixty and sixty-five calls out for urgent attention. Spousal allowance reform will be implemented as soon as possible.

We are committed to putting our unemployed back to work and we will begin to implement our strategy to combat unemployment, including special initiatives for youth, upon taking office.

We will implement measures to assist producers in drought-ridden Western Canada.

At present, we envisage combined tax relief and increased expenditure of between $300 and $500 million in discretionary spending for the remainder of the current fiscal year, to be offset by savings. As you all know, Mr. Turner found $307 million with a couple of phone calls.

We will begin to put those policies in place which will achieve our goals, and I outlined in Vancouver, five problem areas for the Canadian economy which I dealt with at great length.

Our estimate is that the *gross* incremental cost in the first year of our proposed strategy – the revenue forgone and new investment – will be approximately $1.7 billion, or about one and a half per cent of current government spending. Our plans for the second year – fiscal year 1986-1987 – will have a gross cost of $2.1 billion in cost outlays. Earlier today, I gave to the media, in great detail, a full accounting for years one and two of the policies outlined by my party during this election. Some of the highlights I would like to share with you today:

- $224 million in Agricultural Expenditures
- $50 million in Small Business initiatives
- $268 million in Tax Relief for the Energy Sector
- $45 million for the re-structuring of the

Fisheries
- $150 million in Mining Investment and tax relief for Northern Workers
- $265 million in Health and Welfare
- $285 million in Training and Youth Employment
- $100 million in direct Research and Development investment
- $22 million in Assistance to Canadian Veterans and their spouses
- $190 million in Defence Expenditures
- $75 million for Shipbuilding; and
- $8 million in Justice Initiatives.

I have noted that $1.7 billion represents the *gross* cost of our proposals. Our fiscal framework calls for little, if any, overall increase in discretionary spending, as we plan to finance these investments through a reduction in government overhead expenses, program re-allocation and tax reform. And we will achieve our targets without affecting existing social programs.

J'ai souligné que ce chiffre de 1.7 milliard représente le coût brut de nos propositions. Notre plan financier n'exigera a peu près aucune augmentation globale des dépenses discrétionnelles, puisque nous prévoyons financer ces investissements a même la réduction des frais généraux dans l'appareil gouvernemental.

As Mr. Turner has himself admitted, during the televised debates, and here is exactly what he said, and I think it is important – a direct quote from the French language debate:

> "There is a lot of space to reduce and cut expenditures and duplications. Programs which are no longer in

> force, which are no longer pertinent, wastage in public administration. I believe this reduction in expenditures could save us billions of dollars."

Our party has been saying this for years. In cooperation with the Auditor General, we plan to root out this waste and invest the savings in job-creating initiatives such as those I have laid out today.

We are confident that, by spending smarter – by investing in more productive purposes, by enhancing productivity, by increasing the competitiveness of key export industries, by engendering genuine federal-provincial cooperation, by civilizing our labour relations, and by prudent management of government finances, we can stimulate the growth and create the jobs which will start the deficit on a downward course.

... we can stimulate the growth and create the jobs ...

We are convinced as well that our economic strategy makes far more sense than to follow Mr. Turner's plan "to wait for growth" as he said during the English language debate.

As the Conference Board of Canada has recently stated, if we just sit and wait, if we do not change course, Canada could lose 100,000 more jobs in the next twelve months; unemployment would be twelve per cent and rising; and our deficit would increase substantially as outlays go up and revenues fall. If we sit and wait, the Conference Board has already forecast a deficit (on a Public Accounts basis) of $34 billion in the current fiscal year, $40 billion next year, and $46 billion the year after.

That, and I say it without malice, is the legacy of twenty years of Liberal rule.

That is where Canada is headed if we accept the status quo, and simply wait for growth.

Perhaps, that is why Mr. Turner has consistently refused to share with Canadians the information he has received from the Department of Finance, other than to say that the deficit this year will be "higher than expected."

How much higher, Mr. Turner?
$1 billion?
$3 billion?
$4 billion?

Si les derniers jours de la campagne nous apprennent quelque chose, c'est que désespérés, les Libéraux font ce que les Libéraux ont toujours fait, chercher à diviser les Canadiens pour sauver leur peau. Il y a quelques jours à peine, Monsieur Turner a fait la déclaration absolument remarquable qui implique mon ami également, le premier Ministre de l'Ontario. La citation, c'est la suivante: "Si j'étais Québecois, en voyant un premier Ministre potentiel comme Monsieur Mulroney, qui s'entend comme larron en foire avec Monsieur Lévesque, Monsieur Davis et Monsieur Lougheed, surtout dans l'ombre, derrière les portes closes, dans les coulisses, si j'étais Québecois, je seras extrêmement méfiant." Ma réponse à cela, est simple et directe. "Mon désir de collaborer avec les premiers Ministres Provinciaux est tout aussi vif que mon désir de collaborer avec le milieu des affaires, le mouvement syndical, et les simples citoyens canadiens."

If the last few days of this campaign tell us anything, they tell us that when desperate, Liberals will do what Liberals have always done – seek to save themselves by dividing Canadians. Just the other day, Mr. Turner made this absolutely remarkable statement, and I ask you to reflect upon it. Here is a direct quote:

> "If I were a Quebecer, to see a potential Prime Minister like Mr. Mulroney, very friendly with Mr. Lévesque, Mr. Davis, Mr. Lougheed, especially in an underground fashion, behind doors and in hallways, if I were a Quebecer, I'd have very deep suspicions".

Can you imagine saying something like that about someone from Brampton?

My answer to that is simple and straightforward. Other than an absolutely ringingly eloquent defence of the integrity of the citizens of Brampton it is this: My desire to cooperate with the premiers is no less than my desire to cooperate with the business community, the trade union movement and with individual Canadians. We want to rebuild a devastated economy which has suffered too long from the kind of suspicion and hostility which Mr. Turner clearly seeks to perpetuate. This is a time, my friends, to heal old wounds, and not to think of settling old scores. This is a time for national reconciliation and renewal. I stand before you today, with my imperfections and those of my party, committed to drawing Canadians together – to reconciling opposing views, to uniting the regions, to building a new consensus based on tolerance and understanding.

And this is why, on September 4, I believe Canadians will give the Progressive Conservative party a mandate:

– a mandate for change;

- a change to a truly national government;
- a government with representatives from all parts of Canada;
- a government which I assure you will stop exploiting the differences between us, and start emphasizing what we all share in common.

I am not saying, nor shall I ever say, a Progressive Conservative government can solve all the problems of this troubled country overnight. Nobody can. Our problems have been years in the making, and they are going to take time to solve.

But I tell you today that this country, this splendid Canada, ce Canada tellement magnifique, qui exige et qui a besoin de la prospérité, puis un nouvel élan, puis un nouveau départ, ensemble ...

Together, we can reconstruct that grand alliance and make of this country a model of tolerance, and harmony, and prosperity which will do honour to you, to our citizenship, and to the world.

The appreciation of the audience was expressed by Mary Alice Stuart, President of the Canadian Club of Toronto.

Head Table

Norman Atkins
National Campaign Chairman, Progressive Conservative Party of Canada
President, Camp Associates Advertising

The Rev. Nicholas Bolderiff
Rector, Christ the Saviour Russian Orthodox Cathedral

Patrick Boyer
Progressive Conservative candidate for Etobicoke-Lakeshore,
Secretary, Empire Club of Canada

The Hon. William G. Davis, P.C., Q.C.
Premier of Ontario and leader of the Progressive Conservative Party of Ontario

J. Trevor Eyton
President and Chief Executive Officer, Brascan Ltd., and Chairman, Royal Trust

Paul Godfrey
Chairman, Metropolitan Toronto, to become Publisher, *Toronto Sun*

Edwin A. Goodman, O.C., Q.C.
Senior Partner, Goodman and Goodman; Chairman, Royal Ontario Museum

Geoffrey Hale
Vice President, Government Relations, Canadian Organization of Small Business

H.N.R. Jackman
Chairman of Board, Empire Life Insurance Co.
Past President, Empire Club of Canada

Terry McLaughlin
Olympic silver medallist in yachting, Dutchman class, skipper of "Canada 1", Canada's candidate for 1983 America's Cup Challenge

David Mitchell
President and Chief Executive, Alberta Energy Co.
President, The Ernest C. Manning Awards Foundation

Mila Mulroney
Partner and Chief Campaigner for the Hon. Brian Mulroney

Shawn O'Sullivan
Olympic silver medallist in light-middleweight boxing and member of Cabbagetown Youth Centre

J.B. Pitblado
Deputy Chairman, Dominion Securities Pitfield
President Elect, Canadian Club of Toronto

Harry Seymour
President, Dominion Securities Pitfield Investment Management Ltd.
First Vice President, Empire Club of Canada

Gail Smith
Anchorwoman on "World Beat News", CFTO-TV

Dr. Reginald Stackhouse, M.P.
Progressive Conservative candidate for Scarborough West
Past President, Empire Club of Canada

The Rt. Hon.
John N. Turner, P.C., Q.C.

Prime Minister of Canada and
Leader of the Liberal Party of Canada

AN ADDRESS PRESENTED DURING THE 1984 CANADIAN GENERAL ELECTION

August 30, 1984

At a meeting held jointly by
The Empire Club of Canada
and
The Canadian Club of Toronto

Co-Chairmen
Mary Alice Stuart
President, The Canadian Club of Toronto
and
Catherine R. Charlton, M.A.
President, The Empire Club of Canada

Mary Alice Stuart

Honoured guests, ladies and gentlemen: This is an important week for our two clubs. This week the Empire Club of Canada and the Canadian Club of Toronto have been concerned about Canada's parliamentary democracy: about the party in power, which forms the government, and about the opposition, which circumscribes it.

Tuesday's meeting and today's meeting are the culmination of long-range planning by both clubs. As Catherine Charlton, the President of the Empire Club, pointed out on Tuesday when introducing the Honourable Brian Mulroney, she and I had originally met in early March to consider the possibility of there being a federal election. Pre-dating, as we did, both the Liberal leadership campaign and the election call, little did we realize how successful our planning would be. This week we have jointly hosted two meetings. Two days ago we had a splendid address by the Honourable Brian Mulroney, the leader of the Progressive Conservative party and leader of the official opposition. And today we are most fortunate and honoured to have with us the Right Honourable John Turner, Prime Minister of Canada, leader of the Liberal party, and leader of the government of Canada.

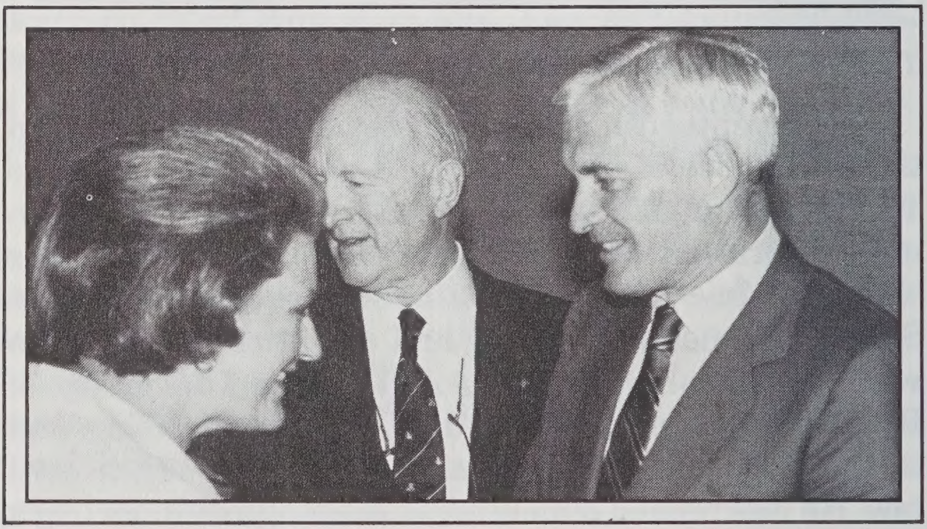
He holds an office that Peter C. Newman characterized as a "position of prestige as high as that found in any parliamentary democracy", and Christina McCall – who is at our head table today – in her book *Grits* quoted Grattan O'Leary as observing: "If the Canadian power structure is a pyramid, there is absolutely no doubt who is on top". One distinguished professor of political science stated that the Prime Minister of Canada holds "a position of power in some ways unrivalled even by the President of the United States".

Cabinet, Parliament, party – the Prime Minister is a key figure in each. He (or she? – perhaps some day in the future) – chooses and directs the Cabinet, and keeps it together. He is the "supreme policy co-ordinator". He assures that decisions are made. He organizes the business of Parliament, and takes part in the deliberations of the House of Commons, answering questions, speaking in debate (not counting TV debates), exerting his influence to see that legislation is passed. Finally, he is the leader of the party in power.

The Rt. Hon. John N. Turner, P.C.,Q.C. *Alexandra Adams*

Our seventeenth prime minister, John Turner, gained the confidence of his party, the Liberal party, on June 16 of this year, and was installed in office by the Governor General on June 30. Like eleven of the previous sixteen prime ministers, he has a background in law. Son of a Canadian mother and a British father, John went to school in Ottawa, and to the University of British Columbia; to Oxford as a Rhodes Scholar, and to the Sorbonne for graduate studies in French civil law. He was named a member of the English Bar, Gray's Inn, London, and then called to the Bar of Quebec. As a lawyer, he joined the Montreal firm of Stikeman, Elliott. In 1968 he was called to the Bar in Ontario and named Queen's Counsel. He has subsequently been called to the Bars of Barbados, Trinidad, the Yukon and Northwest Territories, and British Columbia.

John was first elected to the House of Commons as a Liberal M.P. in 1962, and has held various cabinet posts, such as Minister of Consumer and Corporate Affairs, Minister of Justice (during which time he addressed the Empire Club), and, for nearly four years, Minister of Finance (during which time he addressed the Canadian Club of Toronto annually). He resigned as an M.P. in February 1976 and joined the law firm of McMillan, Binch in Toronto. Over the years he has been a director of a dozen major corporations, of various charitable and public service organizations – including the Canadian Club of Toronto – and has been a director of the Institute of International Economics, in Washington, D.C. In the course of his vigorous and effective life he has taught, he has published, he has married, he has raised a family of four children, and he has



Alexandra Adams

Mary Alice Stuart, President, Canadian Club of Toronto with the Prime Minister received a number of honorary degrees. In the election five days from now, he is the Liberal candidate for the riding of Vancouver Quadra. Today he speaks to us as leader of the government of Canada – and as a great Canadian.

Ladies and gentlemen, the Right Honourable John Turner, Prime Minister of Canada.

John Turner

Thank you very much. Thank you ladies and gentlemen, and may I thank Mary Alice Stuart and Catherine Charlton for their joint invitation to address your two clubs. I am encouraged by the good attendance, encouraged because one might think that the polls and media are trying to tell us that the election is over and that we need not bother voting on Tuesday. Despite all that, there is still interest, there is still suspense, and I believe that the Canadian people are making up their minds now, do not want to be told how they are going to vote, and I am confident of the decision on next Tuesday, September 4.

I see so many friends in the audience. Six months ago I would have been sitting out there listening to somebody else, but I made a decision to seek a return to public life in Canada. I made it for one primary reason and I have a feeling that the sentiment I felt is one that you might have experienced yourselves individually. I felt that the brutal years of the recession in 1981, 1982, and 1983 had sapped and dissipated the confidence of our country; that the unemployment, the economy, having been threatened by world economic turmoil had deprived us of what I had hoped was a Canadian attitude towards expansion and investment, and that uncharacteristically we were holding back. We had lost that sense of optimism and that sense of purpose. When the Liberal leadership came open, I thought that I could and should try to make a contribution, to see whether I could participate in leading our country back to the mood in which I had grown up, where Canadians had a confidence and optimism which made our country an exciting place in which to live.

The one question I am asked more often than others across Canada (and I want to tell you I have had five and a half months now of a crash course about what this country is about, and I do not need any polls to tell me what Canadians are thinking) the one question that crops up and particularly in smaller meetings:

"Why is it?" people ask me, "Why is it, with a country such as Canada, with limitless resources, boundless opportunities, no horizons, why is it we are not living up to that potential?"

I felt that I should analyse that for myself, and perhaps it would be helpful to you, to explain why I am here and what I believe we are about. Since the War the natural resource industries gave us our growth. When the recession hit worldwide, those resource industries were hit most severely – mining and forestry in particular – and we have been faced since those recession years by brutal competition, particularly from the Third World, some of whose countries are selling those metals and those products at distressed prices. What I am saying is that the traditional thrust of our economy, in terms of resources, has been crippled and has not yet recovered.

Secondly, we have had a tendency in Canada to be slow in making the adjustments to a new tough world – adjustments in terms of efficiency, in terms of cost, in terms of competitiveness, inclining to shelter declining industries. I believe we have been slow to make those adjustments.

Thirdly, we have been indulging in the luxury, I believe, of abusing our federalism. We would not have been a country had we not become a federal state. This country is too diverse in its regions, too diverse in its attitudes, its intuitions and instincts. But we cannot continue to enjoy that luxury of Ottawa fighting the provinces, the provinces against Ottawa. Economically the separatist threat in Quebec did hurt, not only Quebec, but the country – the failure in terms of management and labour to come to a common cause. This bickering and quarrelling as a nation has hurt us as newly industrialized countries have moved into our markets even here at home.

Fourthly, I think there was an attitude spread abroad, somehow, that we Canadians no longer welcomed foreign investment as we once did. I believe that the Foreign Investment Review Act is a permanent part of our legislative landscape, but that it ought to be applied in accordance with our international obligations; and it should be applied to major structural transactions of acquisition or extension of business in a way that makes it clear that it should be for the benefit of Canada and should relate to our major economic structure.

Finally, I am concerned about the fate of the public debt. I am going to put this in personal terms, partly by way of explanation, partly I suppose by way of defence, having been Minister of Finance of this country for four years. When I left that portfolio the public debt of this country was under $30 billion. We now have a public debt of $180 billion. It cost us, in 1975, about ten or thirteen cents for every tax dollar to service or pay the interest on that public debt. It now costs us between thirty-three and thirty-five cents to service or pay that interest. At current rates of interest that debt threatens to double every five years. An it concerns me that we are mortgaging this country in a way that is going to make it almost impossible for our children to have the same opportunities and the same manuverability in handling our country as we had.

I might remind you that I was the last Minister of Finance in this country to have two successive surpluses, or any surplus for that matter, and that the average deficit in those four years was three quarters of a billion dollars. This is why I made an undertaking to the people of Canada at the beginning of this election that any programs I introduced on behalf of the Liberal party would not infringe that public debt, and that we would set forth the cost, and we would describe where the money was coming from. And I have done that. I challenge your speaker here last Tuesday, to do the same thing. Here before your two clubs, Mr. Mulroney gave his long-awaited costing of those campaign promises. I take some pride in forcing that issue, because when he began his campaign he said he would cost his promises, and then in Halifax said he would not; then he began in Prince Albert. I believe that the accounting should have come earlier. It is going to be difficult to ascertain the price of every one of the 338 promises set forth in the catalogue and given to the press of this country. And I believe that he should have costed each one of those promises as it was made. I have done that myself. We have made fewer than fifteen undertakings. Each proposal has been costed. The total net, after showing where the revenue comes from (because we have added some tax as well) is $1.7 billion over four years. I am glad to see that the *Globe and Mail*, in a very small box on the second page, corrected that headline of yesterday.

Well, those 338 commitments did not appear either in the speech before you on Tuesday, or in the supporting material that he gave to the media. And I ask you, what is the significance of the omission in his accounting to the electorate of Canada – 338 commitments, most of which have now disappeared? I do not know whether he means that they are no longer valid and he is withdrawing them, or whether he has not bothered to put a price tag on them. The leader of the opposition talked of economic activity. At the beginning of his campaign he talked of thousands of jobs overnight, yet he omitted in his plan for the first two years some of his major economic proposals. I am not going to detail them for you completely, but I can say that some of the lost economic promises include: homemakers' pensions, $900 million annually; acceleration of the oil sands projects, offshore development fund, replacement of the PGRT tax with a provincial tax which is a $10 billion item if he doesn't re-tax. New export incentives did not appear; there were no training programs for women costed; he did not cost his plan to meet his target of doubling government Research and Development, which would have amounted to $6.6 billion to 1988.

I asked the Minister of Finance to go through those programs yesterday. At least fifteen big ticket items are missing from the costing that he gave to these clubs and to the media, and those fifteen big ticket items amount to at least, over the period of the mandate, $20 billion. So Mr. Crosbie was right after all! Nor did he say how he was going to raise the money to pay for the remainder of his promises, or how he was going to meet the goal that he set for himself of slashing the deficit to $3 billion by 1990! With the amount of those promises now before the Canadian people, unless some of them have been withdrawn, the Conservative party, if they were ever to form a government would have only three opportunities, three options – either to welch or renege on those promises, or raise our taxes, or to cut deeply into the social programs of this country.

Des économistes ont séverement critique le genre de comptabilité de Brian Mulroney, que Brian Mulroney a présente devant ces Clubs, à la population canadienne. Mais au-dela des chiffres et des analyses plus ou moins compliqués, il y a une question de crédibilité, de franchise. Oui, une question de confiance. C'est la première fois à ma connaissance qu'on voit un politicien renier ses promesses avant même la date des élections. Je dis que vous méritez mieux. Vous méritez plus de franchise et plus dans les faits. Et cette danse des milliards, ce n' est pas finalement surtout une affaire de chiffres. C'est beaucoup plus important que cela. C'est une affaire de confiance. Et je suis revenu a la vie politique, parce que j'estimais que j'avais une honnête contribution a apporter à la solution de nos difficultés économiques. J'ai été honnête avec vous, et je n'ai aucun regret. C'est ma façon à moi de faire de la politique.

This is not just a numbers game ladies and gentlemen, there is something more than that in this costing exercise. There is first of all the issue of credibility. Are these just empty promises made to the jobless, to women, to communities across Canada? If they were not costed before you, are they now abandoned? It is a question also of reliability. Will Mr. Mulroney do what he says he will do? He had a chance to live up to the first promise of his campaign to cost his promises and he did not deliver. If it is like this before September 4, what about after?

It is also an issue of trust. What is the hidden agenda of the Conservative party? What is the social agenda against those promises? More taxes? What about energy? What about foreign policy? Both of these Mr. Mulroney said he would not discuss during this election campaign because as Pat Carney , his energy critic and the member for Vancouver Centre put it so nicely here before a group Toronto businessmen and women: “We have”, she said, “a secret accord with provincial premiers not to talk energy during the election”. Joe Clark put it even more succinctly. “We do not want Peter Loughheed and Bill Davis destroying another election for us as they did in 1980.”

There were two issues that Mr. Mulroney did not discuss before you, but which I have found to be absolutely fundamental to the way the country is developing and to the election. The first is that we are living through a peaceful revolution and we are living through the revolution of an awareness of a new majority in this country. I am talking about the women of Canada, symbolized quite accurately by the fact that we have two co-chairpersons here, Mary Alice and Catherine.

I am committed to the economic equality of women; the total accessibility of women to the public, private, business, union, and academic life of this country. The party I lead is committed to affirmative action in the federal sphere to ensure that this happens and to do it in a way that recognizes that women are human beings first, that they share the dreams of all human beings. As I said here last week in Toronto, there are no such things as women’s issues, all issues are women’s issues, but women have taken a leadership role in making us sensitive to some of those issues. What we are really saying and feeling is an instinct towards fairness and equality and partnership in Canada. We are also saying to women that they must have freedom of their options to work either at home or to work at the office or in the factory, professionally or industrially and that our educational system and our opportunities must open up those options for them. It is not only a moral and ethical problem in terms of fairness, it is also an economic issue and that economic equality is paramount for the future of women in this country.

I am proud to say that Liberal governments have been world leaders of women's issues. I have forty-three women candidates running with me under the Liberal banner in this election – twice the number of 1980. My campaign, the Liberal campaign in Ontario is being run by two women, Kathryn Robinson and Barbara Sullivan. I believe that women have helped set the agenda for the next decade, and now it is up to women to run for public office to help implement that agenda. I believe that is happening and I believe that we are living in very historic times with a groundswell that is going to change the face of this country.

... We are now a land of minorities ...

There is another swell or movement in this country to which I want to draw your attention. Names like Turner are no longer part of a majority in this country. We are now a land of minorities and the varied cultural heritage has enriched the very economic, social and political life of Canada, and our minorities are stirring. They are seeking political recognition; you can feel it here in Toronto where they are seeking political office. They have challenged strenuously the nomination in several of our ridings. Those minorities are struggling against bias and they are struggling against discrimination. They are fighting for acceptability and accessibility into the mainstream of our national life whether that be in politics or in business or academia or labour; and our institutions, let me say including the Canadian Club and the Empire Club, must reflect the new diversity in Canada and in this city visible or invisible. Equality is not just a matter of law or of statute or of regulation, or of charter, or of code. Equality, to be really effective and to be completely sincere, must be a state of mind in Canada and that is where in my view and under my leadership it will be going.

Finally, I want to outline for you my political approach to growth and change. It is based on two principles. The first is that government must create a climate or environment for growth and econmic activity. There has to be a sense of confidence and security for all our decision-makers whether they be in labour or in business or in government so that there are no capricious changes particularly at this fragile stage in world economic history. There should be no capricious changes in policy and an economy must be stable and predictable. The second general principle is that we must end the antagonism between those decision-makers, encouraging a spirit of enterprise and innovation and adjustment to change.

Those principles are absolutely fundamental and my government would tackle growth in four ways. First by expanding our markets. We are still a great exporting nation and twenty-five to thirty cents of every dollar we put in our pockets or in our purses comes to us from foreign trade. We have got to take advantage of the value of our dollar at the moment. We must continue to improve our export performance. We must resist the trend to protectionism in our larger markets particularly the United States, Europe and the Pacific rim. We must work to change the international financial situation and we have to get out and sell.

Secondly, by reducing the balkanization in our own economy we must expand our foreign markets. Canada must again become one economic union. There have been barriers among and between the provinces in the free movement of people and goods. There has been protectionism building up in one province against other provinces. Here we are having a devil of a time with a market of twenty-five million people competing with the United States and Japan and Europe and we are balkanizing our markets down into ten further units. There has to be, under federal leadership and in conjunction with the provinces, a code of conduct that will bring our provincial governments to act once again in the national economic interest. We cannot afford, as I said earlier, the luxury of a discordant federalism. We need to pull together, we need to work together; only in that way will we have a chance to regain our economic position in the world. We must be one market, we must be one economy, we must be one country.

> *... We cannot afford the luxury of a discordant federalism ...*

Thirdly, we must improve Canadian productivity and efficiency. You have heard speechs like this continually. It is not just a problem for labour and the working man and woman, it is a problem for management and we have to improve our skills in management and government, and government must be managers as well. We must encourage efficiency by encouraging competitive behaviour and by eliminating those laws and regulations and licensing processes that are deliberately making us less competitive. We must adjust, as I said earlier, and protect our working men and women as those adjustments are made.

Finally, we have to raise the level of investments. Only that, from abroad under proper control and domestically – only that will bring rehiring and new jobs. That means that we have to invest as a nation in training and education with provincial cooperation because the second question I hear after, "Why aren't we living up to our potential as Canadians?" is "Why are we not educating our children for the skills that they need for today and tomorrow?"

Well, I believe that Canada is at a critical junction. We Canadians face serious decisions and the issues are serious in this election and not merely the quirks of the leader. They are not merely some of the imagery that has been paramount during much of the election period. Maybe it is the heat of the summer. But I have tried on behalf of the party I lead to face these issues squarely, some say too squarely. I have set forth the problems, as I have described them to you today and in detail across the country, and the solutions I believe most respond to those problems. I have said where our priorities must be in the short term and I have costed every one of them and I have not infringed the public debt of this country. If we work together and pull together as Canadians, if we make the right moves, then that limitless future that I believed in and that my generation believed in, that limitless future and that limitless potential for Canada will be there.

But we have got to become better marketers; we have got to become more competitive, more efficient, and we have to get our act together as a nation in a sense of coordination and harmony. Your chairperson mentioned that I am running in Vancouver Quadra. I have roots there. It would have been easier in Ontario. I have spent a very happpy time with Geills and the children, a very happy time in the business and professional community of this city and province. But I am running out West because I believe in the unity of the ocuntry. I am concerned that Western Canadians feel alienated and frustrated and remote from the decision-making process which they think is conducted in a tidy cosy little triangle between Toronto and Montreal and Ottawa. I feel that I can contribute by giving British Columbia a strong national voice in Ottawa. You can rest assured that I have not nor has our party neglected Ontario; this is where elections are won or lost. So I ask you over this weekend to pose seriously that vital question as to who has been honest, straighforward, frank and responsible in this election and if that is still an element in your good judgement I believe that I have met that test.

* * *

The appreciation of the audience was expressed by Catherine R. Charlton, President of the Empire Club of Canada.

Head Table

Larry Cain
Olympic Gold Medallist
(canoeing)

A. Gordon Cardy
Chairman and President,
CP Hotels Ltd.

The Rev. John Erb
Rector, St. Michael and All
Angels Church

Arthur Gelber, O.C.
Chairman, Ontario
Bicentennial Advisory
Commission

Peter C. Godsoe
Vice Chairman, Bank of Nova
Scotia and Past President,
Canadian Club of Toronto

Daniel Iannuzzi
President and Executive
Producer, TV Channel 47

Montague Larkin, C.A.
Vice President, Bache
Securities Inc.
Second Vice President,
Empire Club of Canada

The Hon. Roy MacLaren, P.C., M.P.
Minister of National Revenue

Christina McCall
Author of *Grits*

James Peterson, M.P.
Member for Willowdale

Kathryn Robinson
Lawyer, Goodman and
Goodman

Sonja Sinclair
Author of *Cordial but not Cosy*
Second Vice President,
Canadian Club of Toronto

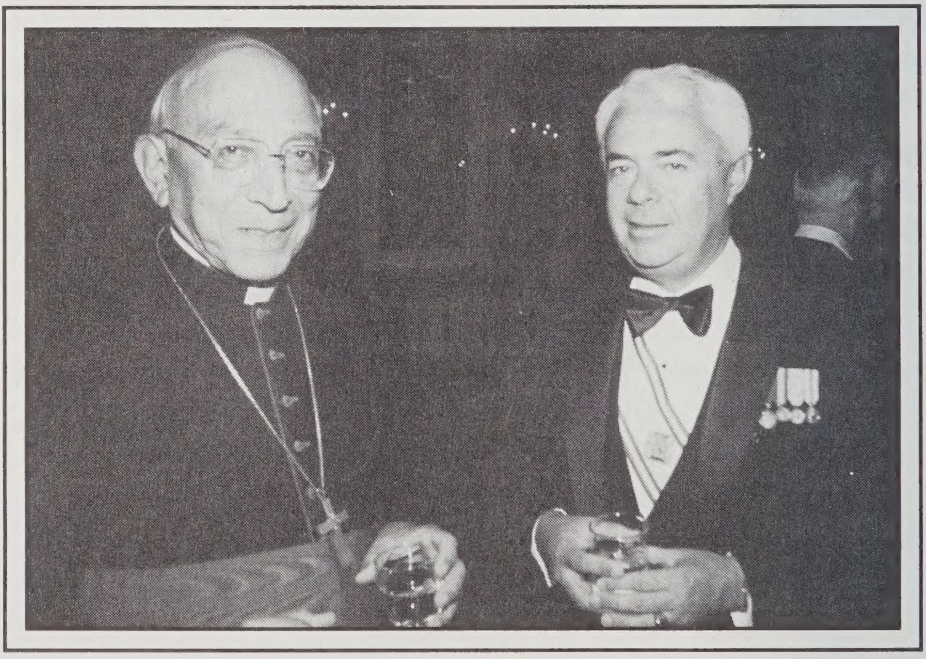
William H. Somerville
President and CEO, Victoria
and Grey Trust Company

Barbara Sullivan
Communications Consultant

James K. Warrillow
Publisher, *Financial Post*
First Vice President,
Canadian Club of Toronto

Concert Hall

His Eminence Agostino Cardinal Casaroli, Catherine Charlton, Carlyle Dunbar, Director of the Club, with Royal York staff



Cardinal Casaroli with John Herrick, Director of the Club and Chairman of the Dinner Organizing Committee

Photos by Alexandra Adams

His Eminence
Agostino Cardinal Casaroli
Vatican Secretary of State

THE PAPACY AND THE CHALLENGE OF THE MODERN WORLD

September 14, 1984

The President
Catherine R. Charlton, M.A. Chairman

To commemorate the visit to Canada by His Holiness the Pope, the Empire Club of Canada hosted this special dinner for His Eminence, Agostino Cardinal Casaroli, Vatican Secretary of State, on September 14, 1984. Since its founding in 1903 the club has hosted many world leaders, both secular and religious, so it was natural that we should mark this historic occasion with a special dinner.

The Vatican Secretary of State holds a position equivalent to that of Prime Minister and Minister of Foreign Affairs. Cardinal Casaroli is unique in that he is the most senior official of the Holy See to ever address such a private gathering in Canada. We are honoured to record his message in this Empire Club *Yearbook.*

C.R. Charlton

Your Eminence, Chief Justice, Mr. Minister, Reverend Sir, ladies and gentlemen: Nearly 150 years ago, projecting his great mind into the distant future, Thomas Macaulay wrote of the Catholic Church:

> "She may still exist, in undiminished vigor, when some traveler ... shall, in the midst of a vast solitude take his stand on a broken arch of the London Bridge to sketch the ruins of St. Paul's."

Of course, Sir Arthur and I may not agree with every word, but we would agree that Macaulay caught the feeling of permanence and of deep wisdom which millions of people have about the Church of Rome. The parish of this Church, if I may use the word parish, is world-wide, and still displaying the vigour Macaulay spoke about.

Cardinal Casaroli, who is addressing us today, is among those who stand at the peak of this powerful force. For five years now, after a continuously widening apprenticeship, he has served the Vatican as Secretary of State. His function is roughly comparable to those of a Prime Minister and Minister of Foreign Affairs, the Head of State being His Holiness the Pope.

Cardinal Casaroli was born in San Castel, Italy, a few days after the outbreak of World War I – a fact which may or may not, have contributed to the energy or to use Macaulay's word – vigour he has put behind the Church's drive for peace. In this connection, he has made many personal visits and attended many conferences on world problems in, it seems, virtually every capital of Europe, Africa and America.

In 1971, he made the Vatican's first politico-diplomatic visit to Moscow, and there signed the nuclear arms non-proliferation treaty, on behalf of the Holy See. In his arduous work, he has, of course, served more than his Church. He has served us all.

The position of Secretary of State for the Vatican is one of the most influential and fascinating positions in the world. Only a sensitive and skilled diplomat could maintain the delicate balance between pragmatic governing and inspired religious leadership that is required from the Secretary of State. All sources who know him agree that Cardinal Casaroli has this unique combination of qualities.

It is with great pleasure that I now call on His Eminence Agostino Cardinal Casaroli.

Alexandra Adams

Cardinal Casaroli with Mrs. John W.F. Griffin

Cardinal Casaroli

It hardly needs to be said that the title that I have given to this conversation, as it stands, goes beyond my real intentions, and beyond the real possibilities of giving it fully adequate treatment. Indeed, so many and so great are "the challenges of the modern world" that even to list them all would require more time than I can decently ask you to give me this evening.

Among the many "challenges of the modern world" I have to select some of the more important ones; in a sense, the ones that affect more closely the well-being, the progress, and the very existence of humanity; the ones which at the same time more directly call into play the Holy See's responsibilities and its possibilities of action.

Alexandra Adams

Lady Marjory and Sir Arthur Chetwynd, Bt., *with Cardinal Casaroli*

1. The Holy See is concerned about these questions not only as a religious entity but also as a full participant in the international community, a status which is recog-

nized by all, with few exceptions. As such, the Holy See takes part in the institutions and activities of the world community on an equal level with other sovereign members: along lines, naturally, in consonance with its special character as a "Power" – if one wishes to use that term – of a spiritual and moral nature. To illustrate this point it is enough to recall that the Holy See has been a full member of the European Conference on Security and Cooperation, and that it participates, at least as an observer, in the various Assemblies of the United Nations and its agencies.

One may say that in recent decades the activity of the Papacy in the various sectors of international life, and the reception this activity has been given even by countries and groups that in other periods of history were indifferent or hostile, has increased notably. This is also due, undoubtedly, to the widespread appreciation with which the Church and its institutions are viewed. For the Holy See, this is less an honour than it is a responsibility.

In relation to the matters in question here, the Holy See, in some ways, holds a privileged position. Not having any political, territorial or military interests of its own to defend, it is in a position to see with greater objectivity the reality and implications of the problems that arise on the international scene. At the same time, however, it has to be careful of the temptation to judge and evaluate concrete situations, which are sometimes very complex, from a point of view that is too theoretical or which oversimplifies things.

2. At the cost of appearing unoriginal I cannot avoid mentioning, in the first place, among the challenges facing the modern world, the problem of peace, and the

related questions of disarmament and the easing of international tensions.

War or peace. With the multiplication of the means of destruction that scientific and technological "progress" has placed in our hands, especially after the dawning of the nuclear age, this alternative represents today a true question of life or death for humanity. It obliges the human race to adopt a new way of thinking in the military and political fields, as well as in the application of moral principles. The more or less equal balance of atomic power held by blocs that are or will be in conflict with each other gives a tragic and, at the same time, almost paradoxical dimension to the whole question.

> *... I cannot avoid mentioning ... the problem of peace ...*

In the present state of affairs a nuclear war cannot be won. This is the expressed opinion of some of the highest authorities of our time. It is also the thinking of many who would not dare to say so publicly. The logical conclusion is that such a war must not be fought. This in itself is already something positive. There is, however, a negative aspect to this logical conclusion: for "nuclear impunity" can serve as a temptation to attempt other adventures, of war or agression.

Nuclear weapons, at any rate, are stockpiled, developed and perfected in an effort to maintain a precarious balance, which itself almost inevitably leads to increasingly advanced forms of counterbalance. Not with the intention of using these awful weapons – it is said – but to dissuade others from doing so. In spite of the guarantees that such a “deterrent” is purported to offer, the very existence and availability of such terrible instruments of death and destruction constitutes a constant threat of catastrophe, about which scientists and the mass-media warn us again and again in the hope of inducing everyone, especially leaders, to reflect.

The Holy See has given particular attention to the question of war and peace, of weapons and their use; especially since the time of the first World War. It approaches this question from the viewpoint of the moral principles involved. In this respect, suffice it to say that while acknowledging the effectiveness and legitimacy of dissuasion – within just limits – as a means to prevent the evil of war, the Popes have considered it even more important to highlight and insist upon the need to promote conditions capable of safeguarding the supreme good of peace. In order to be true and stable, peace can never be detached from justice and respect for the rights of all peoples.

... peace can never be detached from justice ...

Together with this doctrinal teaching, the Holy See strives to act in the service of peace in the measure of its possibilities. Messages addressed to Heads of State, public appeals, calls to prayer, recourse to the “charity of knowledge that builds peace” (in a beautiful expression of Pope John Paul II to the Pontifical Academy of Sciences), mobilization of public conscience and public opinion: these are all means which it uses in the effort to avert the danger of war, to promote an end to conflicts and appeal for dialogue and peace negotiations. Lebanon, the Middle East, Iran-Iraq are among the most recent objects of the Holy See's concern thus expressed.

This public activity represents only the tip of the iceberg – to use another phrase that does not smack of originality. To a great extent the dimensions of the iceberg are hidden beneath the discretion that has always characterized diplomacy, especially as it is carried out by the Holy See. This diplomatic activity is carried out at various levels, from contacts with the highest leaders in public life to the more frequent contacts with the diplomatic representatives of the various countries.

The extensive range of contacts between the Pope and his closest collaborators and Heads of State or of governments, or with Ministers for External Affairs and other high government officials and representatives of international organizations, is not completely lost to the general public. Ordinarily, however, the matters dealt with in these meetings are not made public, and still less their possible results which, indeed, are seldom immediate and sensational, but which are intended to promote and encourage or prepare proximate and future decisions. The diplomatic relations of the Holy See with over one hundred countries, from some of the smallest to some of the largest, and with international organizations, offers it the possibility of a permanent and discreet dialogue, which rarely overlooks the concerns and responsibilities of the Holy See and of other states in the area of peace and war, whether on a regional or a planetary scale.

In this patient and untiring interplay of contacts and dialogue the Holy See acts in the light of a principle which Pope John Paul II stated recently in the following terms (cf. Message for the World Day of Peace, 1984): "war is in itself irrational and ... the ethical principle of the peaceful settlement of conflicts is the only way worthy of man". Previously, on the eve of the outbreak of the Second World War, Pius XII had warned: "Nothing is lost through peace, all can be lost through war."

With these strongly held convictions the Holy See works decisively to promote peace and encourage negotiations around the world, especially against the background of the dangers of confrontation between the so-called super-powers and their respective blocs. The activity of the Holy See aims at combining, in the best way possible, goodwill, clearsightedness, and that healthy realism which is the best servant of the highest ideals. The Holy See is, indeed, well aware that a true and lasting peace cannot be built on sentiment alone. It requires a strong will enlightened by reason. It presupposes, therefore, a clear ethical conscience, joined to an equally clear knowledge of the real situations in which one is called to move.

...People ordinarily respond to the hope of gain or the fear of loss ...

The true, hard, but unavoidable challenge of our time is to find the way to harmonize the renunciation of military force with the safefuarding of the freedom and dignity of peoples, avoiding not only actual war, but also what has rightly been termed "a war that is called peace".

How effective is the Holy See in this endeavour?

People ordinarily respond to the hope of gain or the fear of loss. This is a fact of experience for which it is not necessary to appeal to Machiavelli. In relation to material realities the Holy See has little or nothing to offer to satisfy these hopes or fears. But it may be said that the Holy See's voice – politically weak and militarily altogether without force – is almost universally listened to with respect when it calls for international relations to be considered not from the point of view of strength alone, but with the measure, above all, of reason and according to the rule of law.

It is to be hoped that the more unlikely it becomes to obtain a military victory because of the balance of power on each side, the more this voice will be heard, for the good of the human race.

3. No less important or less tragic is another challenge facing the modern world: the development of peoples and the so-called North-South dialogue.

The more developed part of the world views with a certain apprehension the menacing growth – in number and in need – of those who have been referred to as the "peoples of hunger". Fortunately it is not always a question of hunger in the real sense of the word, although that too, sad to say, still causes millions of victims in various places. But the existence of widely diffused misery, of sickness, of illiteracy and cultural underdevelopment, causes a great part of mankind to live a life unworthy of the human person. All of this produces attitudes of vindication and hostility which, in turn, constitute a serious threat to international harmony and peace.

In his encyclical, dedicated precisely to the theme of "the development of peoples" (1967), Pope Paul VI enunciated a now well-known principle: development is the new name of peace. In proclaiming the need for progress, and indicating the paths leading to it, the Pope's purpose was to launch an appeal to the conscience of the world, calling for collaboration in favour of the less favoured and developed peoples.

On the level of practical achievements, it would be impossible and unjust to forget the traditional activity of the Holy See and of the Catholic Church on behalf of developing nations. I mention, as more recent concrete examples, the establishment of the "Populorum Progressio" Foundation for Latin America (1967) and the John Paul II Foundation for the Sahel which aims at being a contribution and a model of the struggle of civilization against the ravages of drought in vast areas of Africa.

While the Popes continue to fulfill their prophetic role, denouncing wrongs and exhorting to good, they are not unaware of the difficulties of the task to which they call the international community. As in the question of peace, so in the North-South dialogue, goodwill and generosity are not enough. Wisdom and firm farseeing decisions are required. Emotive and propagandistic oversimplifications would be no guide. And the temptation to condition politically or ideologically the weaker party in the dialogue must be avoided.

The transfer of resources from North to South is not a merely mechanical operation. In fact, it could be said that money without know-how can be as useless as know-how without money. Without adequate technical and managerial training the developing countries will be incapable of transforming the arrival of even massive funding into economically viable projects that will truly serve to lead them gradually out of their situation of underdevelopment.

No less than for the question of peace, the challenge of development and of exchange between North and South engages the conscience, the generosity, the courage and the far-sighted wisdom both of the richer nations and of those in need of being helped in their rightful access to a life that is truly more worthy of human beings.

International collaboration in this field cannot be limited to the mere distribution of resources, equitable as this may be. Developing nations must be effectively assisted in assimilating advanced technology and in acquiring the managerial skills to which other peoples have arrived after centuries of progress. This process must always safeguard – and this is one of the most important aspects of the challenge – the dignity, the real independence, the ethnical and spiritual identity of the peoples being assisted. All have responsibilities in this field, and all share a common interest and perceive mutual advantages.

> *... Among the other challenges is ... the growing problem of drug addiction ...*

4. Among the other challenges that appear to characterize the modern world there is one – among others – which by its very nature cannot leave any of us unaffected, least of all the Holy See. I am referring to the growing problem of drug addiction, not solely as it affects individuals, but as a threat to the masses, a problem of epidemic proportions. Moreover, if certain recently repeated affirmations and insinuations were to be accepted, we would see the emergence of a new weapon in the struggle against nations and institutions, added to or substituting for other classical and modern

means of warfare. In this case we would not be dealing with weapons that can be judged in terms of deterrence, but with a means of actual attack and of destruction, aimed especially at youth.

If I refrain from dwelling at length on this problem it is not because I do not consider it to be most serious; as serious, I would say, as the threat of nuclear destruction. Rather it is because I feel that the Holy See, while it actively promotes and supports programs of prevention and cure in this field, has not as yet assumed a position or taken any specific official action regarding the hypothesis of the programmed use of drugs as a means of international struggle. Nevertheless, in view of the enormity of the threat to society which this phenomenon represents in its various present or possible expressions, it is a matter which deserves serious and committed consideration and study.

At this point however I would like rather to say something about another challenge which I consider of special importance for the present and future of the human family as a whole. I would call it the Promethean challenge, to which the modern world is dangerously exposed due to the very fact of its own wonderful and inebriating conquests. Man's increasing knowledge of the reality and of the forces that surround him, and the control of these forces that, step by step, he has achieved, give him a sense of power and self-sufficiency that tends to make him believe that he is indeed lord of the world and of himself, and brings him to reject any outside influence, including that of God.

Prometheus who succeeds in stealing from Zeus a spark of fire for man to illumine his nights and protect himself from the cold and from the attacks of wild animals, fire to shape iron for his own use! This would appear to be the prototype of modern man. After centuries of study and experimentation, after centuries of dangerous adventures, of tragic defeats and exalting victories, he has finally succeeded in penetrating the hidden secrets of matter, and in possessing its mysterious energies. He has been freed from the ancient slavery that bound him to the earth and he has lifted himself higher and higher in the conquest of the cosmos. He unravels the mysteries of organic life itself, and with audacious actions he succeeds in directing – or disturbing – its natural course, going so far as to perpetrate desecrating experiments of "genetic engineering" on the human body.

In this way man may come to believe that he has finally taken his destiny into his own hands. This phenomenon is particularly evident in relation to life and population questions. Apart from those who deny the existence of God and, consequently, of a higher moral order, we see that modern man is easily led to believe that he himself – with his intelligence and powers to intervene – must take in hand these problems and determine their solution. He believes that he should do this by "rational" planning, and by all the means that science and technology have put at his disposal, while he ignores the existence of any positive or natural divine law governing his conduct in this field.

Faced with such an attitude, the Popes of recent times have clearly enunciated a doctrine which recognizes the reality of the problems but indicates, for their solution, certain objective limits and directions. This approach is in contrast with theories and practices that are widely supported, proposed and even imposed officially, in high places with the force of considerable means.

It is not my intention to dwell on the question in itself. I only wish to underline that this challenge, which I have called Promethean, and which is the source of so much of present-day conduct that contradicts traditional morals, is considered by the Holy See of no less importance than the challenges of peace and development. The Holy See feels this way not only because its teaching authority and the traditional doctrine of the Church is at stake, but also because it is convinced that this rejection is pregnant with serious consequences for the men and women of today, and even more so for those of tomorrow; consequences which modern man, in spite of his training in scientific reasoning and calculated forecasting, still appears incapable of imagining. Although, perhaps, he is beginning to have some presentiment of it all.

... be considered a friend ...

In its approach, which may seem hard and inflexible, and which some think of as aprioristic, the Holy See is moved by its sense of duty as *"Mater et Magistra"*, Mother and Teacher. But beyond this, it is moved by a profound love for humanity. A duty and a love that are not opposed to each other, but rather are joined in a harmonious synthesis which history will prove to be correct. Of this the Holy See is certain.

This challenge, like the previous ones, is not directed to the Holy See alone, but to man himself. In confronting this challenge, the Holy See is convinced that it offers an indispensable and precious service to the human family; no less valuable than the struggle against the dangers of war and against the scourge of hunger, sickness and underdevelopment.

It asks to be understood, even by those who do not share its doctrinal and practical convictions. It asks to be considered a friend and a loyal travelling companion of man on his earthly journey and in the achievement of his historical destiny.

SECRETARIAT OF STATE

The appreciation of the audience was expressed by John W.F. Griffin, a Past President of the Club.

Head Table

Sir Arthur R.T. Chetwynd
Bt., KCLJ
President, Royal Commonwealth Society
Past President of the Club

A. Carlyle Dunbar
Editor, Empire Club *Yearbook*

John W.F.Griffin
Past President of the Club

Mrs. John W.F. Griffin

Larry Henderson
Publisher, *The Catholic Register*

John D. Herrick
Dinner Chairman
Director of the Club

The Hon. W.G.C. Howland
Chief Justice of Ontario

MGen. Bruce J. Legge,
C.M.M., K.St.J., E.D., C.D., Q.C.
President, Empire Club Foundation; National Chairman, Royal Commonwealth Society
Past President of the Club

Rev. James K. McConica,
CSB, FRHS
President, University of Toronto, St. Michael's College

The Hon. Thomas L. Wells
Minister for Intergovernmental Affairs, Province of Ontario

J.A. Wm. Whiteacre,
M.M., C.D., Q.C.
Director of the Club

Peter Worthington
Journalist and Politician

LOOKING FOR TROUBLE

October 11, 1984

The President
Catherine R. Charlton, M.A. Chairman

C.R. Charlton

Honoured guests, ladies and gentlemen: It is a great pleasure to welcome you to this first meeting of the fall season, although it is in fact the fifth meeting of the 1984-85 Empire Club year.

We began in June with the Canada Day luncheon. Then the summer election, followed by the Pope's visit occasioned three very important meetings. In August, we joined the Canadian Club to host the Hon. Brian Mulroney and the Rt. Hon. John Turner; in September the Vatican Secretary of State, Cardinal Casaroli, marked the Pope's visit with his address to a special dinner meeting.

This month the visit by Her Majesty, Queen Elizabeth II has been significant in the club's history, even though the Empire club itself did not host any specific event. Two of our very distinguished Past Presidents served as chief organizers for the Queen's visit to Ontario: Colonel Robert Hilborn chaired the provincial organizing committee, and BGen. Reginald Lewis chaired the Toronto planning committee, as well as serving as the president of the Toronto Sesquicentennial. It is an honour to be associated with both of these gentlemen whose services to Queen and Country reflect the best of the Empire Club's traditions.

Our speaker today is another Canadian who has served his country well in a number of roles. At the same time, we note that some people seem to prefer sailing on the troubled waters of life, rather than sitting it out, with flapping sails, on a backwater. Peter Worthington is certainly one of these people. One reason for his obvious preference in lifestyles, may be that he was born in Fort Osborne Barracks, Winnipeg, son of a Captain in the Princess Patricia Canadian Light Infantry. His father later became the so-called "father" of the Royal Canadian Armoured Corps in World War II, with the rank of General.

Perhaps most, but by no means all, of Mr. Worthington's battles were fought in civilian life. But it is hard to say, because although under age, he enlisted as an Ordinary Seaman on the outbreak of World War II, later going to the Fleet Air Arm as a telegraphist air gunner, earned a commission, and served overseas – at eighteen years of age probably the youngest sub-lieutenant in the RCNVR. During the Korean War, he joined his father's old regiment, the Princess Pats. By demobilization he had become a paratroop officer. In between these wars, he went to the University of British Columbia and attained a bachelor's degree. But even in the "serene groves of Academe" he did not lapse into pacifism, but won the light heavyweight boxing championship and the Golden Glove award.

The turbulence of his life carried over into his distinguished civilian career. As a roving reporter on the late *Toronto Telegram,* he specialized in covering trouble spots, such as the UN forces in Gaza, crises in Lebanon, the Iraq revolution, Israel's Six Day War, and many more news "hot spots". During this time, our speaker managed to get himself jailed in Portuguese Mozambique; publicly denounced by the premier of Southern Rhodesia and bitterly attacked in the Russian newspaper *Pravda.* When the *Telegram* folded in 1971, he was one of the three original founders of the highly successful *Toronto Sun.* Perhaps just to leaven the boredom of success, he became the first Canadian editor to be subjected to an RCMP raid. The case, as you may remember, was thrown out of court. His highly publicized severance from the *Sun* last weekend, adds "grist to the mill".

Peter Worthington; Catherine Charlton; H.N.R. Jackman, a Past President of the Club

For two elections, he has endured – or perhaps I should say "enjoyed" – tumultuous elections in a Toronto riding and has been defeated. The *Toronto Sun* recently commented that what was "Broadview-Greenwood's loss was the Toronto *Sun's* gain" – although recent events tend to belie this. I could go on and on about his adventurous journalistic career, but here he is to speak for himself.

Ladies and gentlemen, Mr. Peter Worthington.

Peter Worthington

I suppose I should say thank you. With the credentials outlined by Catherine Charlton, I do not know why I have trouble being a Tory. I have been warned that if I speak too long people will walk out as they have to return to work, and if you do walk out, I warn you I am not going to take it personally.

Before I start, I must say that I am relieved that you have managed to put together a head table. About an hour ago my wife was talking to John Bassett, who wanted one of the books which she has just reviewed, and she mentioned coming here. He said that he had been invited to be at the head table. She asked with some surprise if he was going to attend and he said, "Hell no, I'm not going to appear at the head table for somebody who hasn't got a job".

Many of you are probably wondering why the Empire Club, in its wisdom, would invite a failed Tory politician, when there are so many successful ones around. Some of you may also wonder why the Empire Club would ask an unemployed journalist to speak to you. In defence of the Empire Club, they did not know at the time, but on second thought, maybe that is the attraction.

It takes rare talent for a Conservative to lose in the middle of a Tory sweep when the winners outnumber the losers by a ratio of almost four to one. And how often do you get a chance to hear a journalist who is fired from the newspaper he helped start and who became an instant "unperson" at that paper?

Neither of these reasons is why I am here today. I was not invited because of politics or journalism; I was primarily invited because the original speaker, Dr. George Gallup of the poll fame, died. And since I have just written a book I was asked to replace him. I would like to reassure you now that I have not called you all together to declare that I am running for the leadership of the Ontario Conservatives.

... it takes rare talent for a Conservative to lose in the middle of a Tory sweep ...

The title of the book is *Looking for Trouble* and I must say I found much more trouble in Broadview-Greenwood, and at the *Sun,* than I ever expected. At first I thought that the title was a bit exaggerated, but now I find it somewhat of an understatement. I am not only banned at the *Sun* these days, but before that happened, I was banned from parts of Broadview-Greenwood. When Coles Book Store wanted me to go in and sign books, the owners of Gerrard Street Mall, with some consternation, overruled them and said they could not allow it because I was too controversial, and it might start a riot or something. I considered asking June Callwood to lead a protest on my behalf. I assumed immediately, and I say this with some seriousness, that with both recent incidents, I wondered momentarily if it was not a promotion gimmick by my publisher, Anna Porter, because it is well known that she will do almost anything to sell books. I think the reaction, in both cases, was somewhat extreme, against someone who has once fallen to the charisma of Bill Fatsis, and twice succumbed to the charisma of Lynn McDonald – all in the space of two years, and someone who voluntarily gave up his job as editor!

I have fairly strong views on many things, although I think they are all terribly reasonable, low key and simply commonsense. Instead of prattling on about the book, I will discuss more relevant topics. My abortive foray into politics was motivated primarily I think because after chirping on the sidelines and telling various governments what they should do and, more, what they should not do, for some eleven or twelve years, I felt the time had come to put up or shut up. I should try to get rid of one government and to help the other government – the replacing government – rule judiciously. But it was not to be – that is another story.

I think one is a captive of one's background. As Catherine said, I was born in an army camp, and I grew up in an army family where my father, who spent between-war periods trying to persuade the Canadian government to get tanks into the army, because he saw that they would be the land weapon of the coming war, was regarded as some sort of crank and a bit of a screwball. He had a lot of trouble but he encouraged a family where problems of the day would be laid out before his children, and my sister and I were always invited to give our opinions on this or that. I have tried to continue this in my own household, and unfortunately it has not only taken effect with my children, but has also taken effect with my Jack Russell dogs who now let no other opinion but theirs prevail in the house. A danger of too much democracy!

As a child, I remember three main villains in Canada: one was Hitler, who was going to start a war – it was as inevitable as the sunrise; the second villain (not necessarily in this order) was the Treasury Board, which was depriving Canada of enough resources to get equipment for the military, to fight the threat of Hitler; and the third great villain was Mackenzie King, who was prime minister, and was not only a draft dodger in World War I, but had no sympathy and no understanding of, and no interest in, the military and as a consequence damaged Canada's future.

I might say that subsequent events have shown that things have not changed much in Canada. Just the names. I think one of the great problems that the new government is going to have to face, is the military and it has given an indication that it is going to tackle this problem, and wants to revert to the old uniforms, which is symbolically important. Frankly, however, the priorities should be for equipment. I think most soldiers, and most people in the military, want updated equipment so they can do whatever job they have to do, rather than the uniforms. But uniforms are important – the restoration of the old uniforms will help create jobs and I think will revive the morale of the military which has taken a battering over the past sixteen years. Not only that, the green uniforms need not go to waste; they could re-issue them to Petro Canada employees. For all we know, they probably outnumber the military!

Our military has virtually been abandoned during the decade of the seventies. National Defence is the only department of government that was under-budgeted during that inflationary period. The Liberal government had no real interest in the military and that can be seen by the way that, as soon as they took power, Trudeau tried to withdraw Canada from NATO. A compromise was established where we half withdrew; withdrew our nuclear role and maintained a brigade, which has become, in my mind, like one of the ghost legions of Hitler.

Remember when the Russians were approaching Berlin? Hitler in his bunker, without enough troops to fend them off, simply subdivided his divisions; with ten Russian divisions in front, he would divide his five in two, making ten. So, on paper, he had enough resources but not the manpower to fight the enemy. The Canadian Infantry Brigade in Europe, I think, is similarly under strength; the battalions are under strength; the companies are under strength; the platoons are under strength; the tank squadrons are under strength. So, in effect, we have on paper, a brigade, when in fact, we do not. What we have, puts me in mind of Hitler's "ghost legions".

...What we should do is expand the military ...

What we should do is expand the military. Instead of taking one in twelve volunteers into the Armed Forces, we should take one in five, one in six. I think the military are the best teachers in the world. They can teach anybody anything. We could use the Armed Forces as a teaching device for young people – to teach them accounting, bookkeeping, mechanics, construction – anything. I think it would alleviate a lot of the unemployment. It would give young people a chance to learn a trade, learn some values and traditions which are important to them as citizens. It would also give young people a chance to reassess their lives, and perhaps go off in new directions.

It would not be out of place to re-institute the Veterans' Allowance scheme which was done after World War II, where, for the number of years of military service, one could go to school or trade school free. This was one of the most far-sighted, productive policies that this country produced after the War, and it could be used again.

We should also increase the militia. We have the smallest regular forces of any developed nation in the world. There are very few Third World countries that have a more depleted military than we have, and yet our regular forces far outnumber our militia. The militia are the reserve, and the reservoir and the custodian of traditions that saved us in World War II. In the thirties we had an army of something like 3,500, and four warships and one aircraft on loan from the RAF. We had nothing — but the militia saved us.

I think we should change the role of the military. What is going on now is a blessing in disguise because we simply cannot regain the generations of equipment that have been made obsolete. We have an opportunity to change the role of our army, with stress on a form of the British SAS – Special Air Services or Airborne Commandoes – where a few men can do the job of many, and soldiers can operate in units of two, three, four or conventional size. The British have done this and the SAS have served in something like eighty-five or ninety campaigns since the end of World War II with a loss of about eighty-five lives. That is one life per campaign, and that is a very efficient use of men at a low cost. An

SAS style army would make Canada easy to invade, but impossible to occupy.

If you think back to the decade of the sixties when we had the FLQ in Canada, we had Canada in turmoil for a decade; and how many were in the FLQ – fifteen or twenty people? You can imagine how the military would be if the army were this able; we would not need the great numbers that we conventionally have to have. I think more money should go into the air force because we have got to get the planes that will do the job for Canada – not the cheapest planes, or the most available planes, or single engine planes. We are a big country which needs sophisticated aircraft. Money should also go to the navy, because right now I suspect we have about four effective warships, and we have the longest coastline in the world. We are a maritime nation without a navy, and that is wrong. At any rate, revamping the military is not only necessary, but it would be popular; the military has always been more loyal to Canada, than the Canadian government has been loyal to its military.

I suppose the key aspect the new government must handle is the economy. It really needs a new philosophy, not necessarily detailed plans as to how to handle the economy. Most important is a realization that as far as economics are concerned, government is the problem and not the solution. I think we, of all countries, should have the greatest protection against inflation and economic hardships. We have endless resources; we have a small, manageable, literate population that really wants to work if encouraged; and we should not suffer the economic ailments that other countries experience.

If you look at us, our taxes are higher than the Americans, our productivity is lower, our deficit is fifty per cent higher proportionately than the Americans, and our unemployment is fifty per cent higher. Yet America has to police the world; it has to safeguard the world, it has to aid the world; it feeds the world. The expenses America has do not even compare with ours and yet we do not do as well. Instead of criticizing America, we should perhaps be emulating it. North America was built by people, not by governments. We are the envy of the world now and I think it is people who make it that.

Philosophic changes are needed in Canada. A change in attitude that government is not here to help the people, but here to create an atmosphere where the people can help themselves. Most people are prepared to work for themselves if they are encouraged to do it, if there is some confidence. The differences in attitude between Canada and America are profound. I think they were shown best in 1980 when Reagan was elected and Pierre Trudeau was resurrected. Reagan's first announcements were his intention to get government off the backs of the people, and the people of America believed him. Trudeau's first reaction was, if you remember, that if you do not improve, if you do not do well, government is going to become more involved in your lives. The Canadian people believed him, and did nothing, and we stagnated. All we need in this country is an excuse basically to be optimistic. That is what Reagan has done for America; Americans have suddenly revived, despite all the dooms-saying by the critics.

Our problem is not only how to get foreign investment into the country, which Mulroney says he wants to do. The main problem is how to get Canadians to invest in their country. We have the greatest savings of any country on earth, and we want to get that money out of socks and term deposits and invested in the country; it is our only salvation. The government cannot do it. So how do you do it?

It seems to me the government should be giving some symbolic indication that things are going to be better by cutting the capital gains tax which amounts to a "hill of beans" when the country is going nowhere. This would be an indication for people to invest in the country to make a tax-free profit. It would churn a lot of money into the economy and create jobs. You could also have, say, a five-year moratorium on taxes for new businesses starting up, so the company could solidify before it gets taxed, thus encouraging business. Mortgage interest tax deduction could be reviewed; I think you could have home repairs tax deductible. Areas like Broadview-Greenwood, which are not affluent areas, would not be penalized by property taxes going up if homes are improved. This would create jobs, it would churn more money into the community. We could look at something like holidays or vacations spent in Canada, being tax deductible, to a certain amount.

The attitude in the past of soaking the rich to redistribute their wealth to the have-nots, is totally wrong. I think that most people who work for a living are worried about their profit or their welfare. There is no way, realistically, to ever get the rich. You can stop the rich getting richer but you cannot really redistribute their wealth because it will be somewhere else. So what you want to do, it seems to me, is get the people with wealth investing in the country, because they are the ones who have the money to create jobs. And let the people who work for a living get wealthier too. I think most people who work for a living, excluding the trendies and the socialist teachers and the academics, would agree.

Most people accept, understand and desire that the deficit be tackled; the deficit has got to be cut. You cannot run a country in such a way that, if you ran your home or your business in such a fashion you would be bankrupt or put in jail. Commonsense tells you that. And if the deficit is going to be tackled, it must be tackled in the first two years of a new government, not the last two years when they are up for re-election. If the people believe in the politicians or believe in the leadership, they will accept restraint, they will accept sacrifice and they will do what is necessary because it has to be done.

The problem, of course, is that politicians do not have the trust of the people. I think the politicians of Canada, federally and at all levels, have betrayed the Canadian people. Politicians have almost become as discredited or as disreputable as journalists and lawyers. We have a kind of a me-first leadership and politicians are perceived as looting the till when they get in there. The politicians give themselves enormous pay raises and privileges. They have given themselves what amounts to 250 per cent pay increases since 1971; they have gone from $18,000 a year ($6,000 tax free) to $70,000 ($17,000 tax free). They have given themselves what amounts to a sixty per cent pay boost since 1980, at a time when much of the country was asked to show six and five per cent restraints.

Indexed pensions for members of parliament is wrong. Severance pay of a minimum of $25,000 is wrong. The Canadian people see this and I do not think Canadians are apathetic. They are disillusioned, cynical, frustrated, and feel helpless. We are constantly bombarded with the myth, perpetrated by politicians, that if you want good politicians you have got to pay high wages. This is totally wrong. Politicians today, with their high incomes, are no better than the politicians of the past, when they got little. If people go into politics for the money, they are not usually the kind of people you want governing you judiciously.

Mulroney should freeze the M.P.'S wages; if he cannot rescind them or if he cannot cut them back, he should end the automatic pay increase. He should rescind indexed pensions and cut the severance pay for the losers. At least put it to a vote – a well publicized vote, so that all can see what they voted for themselves.

... peace is the fashionable slogan of the times ...

On a more global issue, I think peace is the fashionable slogan of the times. We all know that our politicians want to get on the peace bandwagon and even Brian Mulroney now says that his greatest priority is peace. Frankly I think this is untrue. I do not think peace is the great priority, in fact I think peace is relatively easy to obtain. All you have to do is surrender or die, and you have peace. But it is not the peace most of us want. A cow has peace. A cow is well fed, sleeps in a warm place; it has a marvellous view most of the time, and it is certainly a tranquil life – until the day it is taken to the slaughter house. And that is not the kind of peace most of us want.

I think the big issue in the world, for us, for free people, is freedom. Peace, without freedom, is absolutely meaningless and temporary. And freedom without security is irrelevant, does not exist. So the goal, surely, is peace with freedom and with security, and that is not so easy. Churchill said that courage is the most important virtue because, without courage, all the other virtues are meaningless. In a political sense you could say that freedom is the most important political attribute, because without freedom all the other benefits of any system are totally irrelevant. It is the key to the things that human beings aspire to and should get.

So what is the great threat to peace? Well, we are told today that things like nuclear weapons are the greatest threat to peace – or world hunger, or over-population, or poverty, or environmental issues. These are not the threat to peace. The greatest single threat to peace in the world today, as we see it, is the Soviet Union. The Soviet Union, since its inception, since 1917 and on, has sought only to dominate, has sought power, has sought control. Ideology does not enter into it, idealism does not enter into it, Marxism does not enter into it. They want power and they want to control, and every leader from Lenin, through Stalin, through Khrushchev, Brezhnev, Andropov and to Chernenko, has aimed in this direction. Once you realize this, or accept this, it becomes easy to deal with. The Soviet Union is a bully nation, and you deal with a bully the same way in the international forum as you do in the schoolyard. You cannot appease a bully. You cannot show your goodwill or rely on his goodwill, or his decency, or his friendliness. You just have to stand up to a bully. That does not mean going to war with him, it just means standing for what you believe, and not buckling down and not giving in. The Soviet Union intends to win and it does not matter whether it takes one year, ten years, a hundred years; it intends to eventually win. It is up to us to prevent it from winning, of course – not to defeat it, but not to let it win. Which brings us to President Reagan.

Now President Reagan is depicted variously as a semi-senile grade B movie actor, or the "Mad Bomber"; but the fact is that the four years of Reagan government have been internationally peaceful years as far as great power confrontations are concerned. They have been the most peaceful years that we have known in recent times. The Soviet Union has done nothing internationally. It has done its espionage and subversion, but it has not instigated any foreign adventures. It was in times of detente, under Gerry Ford and Jimmy Carter, that it sent Cubans into Angola, dabbled in Mozambique, Ethiopia and Yemen and went into Afghanistan.

With the Russians, of course, when their rhetoric is high and they are talking nuclear war all the time, their actions are low. It is when their talk is low-key and friendly, that is the time you watch your wallet because that is when they are active everywhere. And that has happened time and time again. I wish there were some indication that the Tory government had some awareness of this.

I think the greatest threat the Tories have in their new role, and I have struggled for sixteen years trying to get them there, is that the majority is too large. Inevitably, they are humans, and they are going to be convinced that they got there through their own virtues, rather than the fact that the people turned against the previous government.

I feel very strongly that the best way to ensure good government is to have a strong opposition, and I think it is premature to write off the Liberals until the end of the century as some people do. Nothing is so resilient as a political party and no wounds heal as quickly as political wounds; witness Goldwater and the Republicans' revival and witness the post-Nixon Republicans.

I think the luckiest politician in Canada is John Turner. The electorate has done his dirty work for him. It has cleaned out all the rot and mediocrity within that party and he now has raw material. He is the only westerner in that party, or in parliament, and the opportunity now for him is to mould the Liberal party into a party of his philosophy, or his image, or the way he wants it. He can do, theoretically, for the Liberals in Canada, as Lougheed did for the Tories in Alberta, if that is his bent – if he has the strength or the stamina or the philosophy or the courage to do it.

You must have a philosophy, or an ideology, if you want greatness. I think the opposition leader should have it, I think the Prime Minister should have it. You cannot become great through pragmatism. With pragmatism, you may hold power for a term, but it will inevitably disintegrate into opportunism. We need more than pragmatism for greatness and I think, personally, most Canadians want their country to be great. We have a chance now if Mulroney lives up to his mandate and develops a philosophy that affords the country a vision. If Turner, also, fills the vacuum with his own traditional centre-road liberalism, I think they will both succeed in their mandates; it will not matter who wins the future elections, so long as it is not the N.D.P., and the country will improve.

Canadians are tired of blind, knee-jerk partisan bickering. Question period has led most Canadians to wish that the politicians would do what is best for the country and not just become adversarial and fight for the party. We want politicians to lead from the front and not try to follow opinion polls and stay in power. I must admit that this theme did not work for me very well in Broadview-Greenwood, but that does not mean that the message was wrong, only that the messenger perhaps was not the right one. If politicians of the future are guided solely by opinion polls and pragmatism, more than they are by their conscience, their country or their constituents, I think we will become or we will stay a little people. We will never become a great country and we will never find the greatness that beckons us.

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The appreciation of the audience was expressed by H.N.R. Jackman, a Past President of the Club.

Head Table

Charles Doering
News Commentator, CFRB Radio

Yolanda Drapiewski
Grade 12 student, Humberside Collegiate

The Rev. John E. Erb
Rector, St. Michael & All Angels Church

Charles C. Hoffman
President, Business Planning Associates
Director of the Club

H.N.R. Jackman
Chairman, Empire Life
Past President of the Club

MGen. Bruce Legge, Q.C.
Partner, Legge and Legge
Past President of the Club
President, The Empire Club Foundation

Mrs. Anna Porter
Publisher, Key/Porter Books and publisher of Peter Worthington's current work *Looking for Trouble*

J.A.Wm. Whiteacre, M.M.,C.D.,Q.C.
Counselor, Angus Peace Marshal
Director of the Club

Dr. Henry Kaufman

Vice-Chairman, Phibro-Salomon Inc.
Director, Salomon Brothers Inc.

THE CHANGING AMERICAN FINANCIAL SITUATION

October 18, 1984

The President
Catherine R. Charlton, M.A. Chairman

C.R. Charlton

Honoured guests, ladies and gentlemen: The highly regarded business magazine, *Barron's,* said of our speaker, "When Henry Kaufman talks people listen." You will agree, I think, that this is an important attribute for a speaker to have. But then the writer of the *Barron's* article goes on to say, "More precisely they fret, panic, scramble or rejoice depending on whether they are long or short."

It is doubtful that any economist of our day has more influence in moving and shaking the world's financial market than has Henry Kaufman. After receiving his B.A. in Economics from New York University and a Master's degree in Finance from Columbia, Henry Kaufman went on to earn a Ph.D. in Banking and Finance from N.Y.U. Graduate School in 1958. Twenty-four years later, this same institution awarded him an honorary Doctorate of Laws. In the quarter-century interval between these two degrees, Dr. Kaufman had been winning a multitude of other kinds of honours and awards. After serving as an economist at the Federal Reserve Bank of New York, Dr. Kaufman joined the prestigious firm of Salomon Brothers and became a general partner in 1967. When this firm merged with the commodity traders Phibro Corporation in 1981, our speaker became Executive Vice President and Chief Economist of the large combined corporation.

THE EMPIRE CLUB OF CANADA

Dr. Henry Kaufman

Today he is Vice Chairman of Phibro-Salomon and Executive Director of Salomon Brothers. His weekly newsletter has long been regarded as a most important source of informed opinion and good judgement by investors in the United States and indeed around the world. In 1982, a poll commissioned by *U.S. News and World Report* put Dr. Kaufman high on the list of the most influential men in America. The fact that people in important places listen to Dr. Kaufman is not necessarily because they like what he says. As one writer put it, "He says what the financial world doesn't want to believe, but must hear anyway." Dr. Kaufman, the audience before you is eager to hear what you are going to say regardless.

Ladies and gentlemen, Dr. Henry Kaufman.

Dr. Kaufman

Madam Chairman, ladies and gentlemen: I am highly honoured to have been asked to speak to this prestigious club; one that is well known not only in Canada but in my country, and I am also very delighted to be in Canada again – a country for which I, as well as many of my American friends and associates, have a great kinship for and a great feeling of friendship.

I want to speak to you this morning about developments of the financial and economic kind in the United States. As some of you know there are some fears today that the American economy may slow somewhat further from the reduced pace of the third quarter in which perhaps real growth slowed to three per cent or less. I believe that these fears that the economy will slow further from the reduced pace of the third quarter are unfounded. Indeed, the economy is now re-accelerating. Real growth in my country is likely to reach an annual rate of four per cent in this quarter and to stay in the three and a half per cent to four per cent range during the first half of next year. As a result, by mid-1985, unemployment should fall just below seven per cent, business capacity utilization should reach 84.5 per cent and corporate profits will be rising at an annual rate of five per cent from year-end 1984 levels. Thereafter, however, the pace of economic activity will probably be constrained by physical capacity limitations, the adverse consequences of a cyclical rebound in inflation and the inability to generate an enlarged domestic savings flow.

In the meantime, however, the continued strength of the American economy is going to be reflected by a re-acceleration in final demand fueled by a very healthy pace of increases in personal income. In addition the remarkable improvement that we have experienced in business spending for plant and equipment will remain a stimulant. Interest rates, which have fallen in the last few months, therefore have become a stimulant for economic activity and not a retarding force. Perhaps only in housing activity will we continue to see as we move through the early part of 1985 some receding from the cyclical peak that was reached earlier this year.

It would seem to me that we are still in an environment of good economic expansion in which there are no real constraints on the American economy. There are, however, a number of other financial developments that are now coalescing and many of these, I believe, will affect the events of the next twelve months. I want to speak to you today about some of those salient financial developments of current and future significance.

... the demand for credit in the United States is accelerating ...

One is that the demand for credit in the United States is accelerating at an unprecedented pace. Total credit demands in my country this year will reach $761 billion, the demands of households, of corporations and of our governments. The $761 billion compares with 1537 billion in 1983, and with $409 billion in 1982. And I believe that perhaps the full scope of credit creation is being masked by new financing techniques, accounting procedures and international transactions that are not recorded in the credit complications by our authorities. But looking even at the data that is recorded, the growth of credit in this second year of economic expansion in terms of rate of increase and dollar of increase is far greater than at any other time in the comparable period of previous economic expansions.

Another important development that will persist in the year ahead is that household borrowing is rising and will continue at a good clip. While the fall-off in new housing activity should retard this pace, aggressive merchandising by consumer lenders and reasonably good household balance sheets will result in a continued high volume of consumer credit extensions, and this will support strong final demands.

Next, the other development of a cyclical kind that is now surfacing in my country is that corporations are finding that their borrowing needs are stepping up. External financing of corporations is now rising for several reasons, and this sector will continue to be a dynamic demander of credit until this economic expansion terminates.

The prevailing interest rate structure is conducive to furthering this type of financing, and there is today a massive structural change taking place in the financing of the private sector, one that is far different from anything that we have had in the post-war period. Both the household sector and the business sector are moving down the maturity scale in financing. Years ago it seemed like an American right that all Americans had the opportunity to finance a home at a fixed rate for twenty-five or thirty years. This has changed. Nearly seventy per cent of private home financing is done through adjustable rate mortgages. American corporations years ago in the second year of an economic recovery emphasized very significantly the funding of liabilities and the financing long term. In the first eight months of this year American corporations issued $28 billion of corporate bonds, but only $2 billion of that $28 billion consisted of traditional bonds; twenty-five to thirty years with fixed interest rates. All the rest consisted of variable interest rate financing, floating rate notes, two to three and four year type of notes with fixed rates, notes and bonds with puts attached to them; and in addition of course there has been a massive issuance of commericial paper, of bank borrowing and in many instances part of that credit has been received through guarantees and letters of credit that have been attached to the open market financing. Indeed similar vehicles of credit insurance, of letters of credit are backing up a variety of state and local borrowing in the United States. It is another way in which credit creation has been accelerated and facilitated; at the same time much of it has been in the short term sector. Now that has implications for the interest rate structure as I will comment on perhaps later on.

We are also, in the United States, at the end of liquidity building. This is seen when you look at the counterpart through the direct borrowing by households and by business corporations in terms of what is going on at American financial institutions. Our commercial banks are not buying government securities today. Our commercial banks have liquidated government securities this year. In 1982 and in 1983 they were net buyers of roughly $50 billion. Our thrift institutions are also not buying U.S. government securities because the inflow of funds to them – into savings accounts and other types of deposit forms, is now not large enough to finance the take-down of mortgages for which S & L's and savings banks have committed themselves. So liquidity building has ended, and this too is a cyclical manifestation that tends to occur as we go through an economic expansion.

... liquidity building has ended ...

The other perhaps unusual dimension in the American credit market today is that there is unlikely to be a significant reduction in the U.S. budget deficit which in recent years has been outsized. As you go through an economic expansion the tendency in the past has been – at least that type of borrower with a revival of economic activity, larger revenues by the government, some slowing in expenditures – the deficit would decline. That prospect is not in store for us in the immediate future. Indeed my fear is that the current political season in the United States is politicizing the issue of the federal budget deficit.

What do I mean? Well, as you know, Vice President Mondale has indicated that taxes will have to be raised, whether he becomes president or President Reagan remains in office. President Reagan, on the other hand, has indicated that he will not raise taxes in the foreseeable future. If by some chance the President is reelected, and as you know the public opinion polls do suggest this, then the chances are that the initial effort to alleviate the budget deficit will be through slowing expenditures; and that will be inadequate in 1985 because the issues and the sectors involved are politically very sensitive to deal with. You cannot lower defence expenditures in a short time span. There are too many contrasts involved, there are too many work items in process, there are too many commitments that have been made. On the other hand, to deal with medicare and medicade and to leave – as both candidates are now saying – social security intact, will require the passage of very difficult and long periods of negotiations and very difficult negotiations.

That leaves interest payments, and interest payments you cannot do anything about. It is a residual item in the budget. I would expect, therefore, very little will be done, and that the budget deficit in the third year of American economic expansion will be close to $165 to $170 billion. Let me also indicate that both candidates, President Reagan and Mr. Mondale have plans for reducing the budget deficit over the next five years. I suspect there are shortcomings to that kind of an approach. And they are as follows:

... we as economists do not have the talent to forecast economic conditions five years out ...

First, we as economists do not have the talent to forecast economic conditions five years out. It is difficult enough to deal with the next quarter and the next year. Secondly, Mr. Mondale states that his projections and his legislation that he would call for will reduce the budget deficit to $143 billion in fiscal 1989 – five years away. This year it is $165 to $170 billion – a very small decline, to say the least. And the President states that much of the reduction in the budget deficit will come about through American economic growth. It will require annual rates of real growth in the United States – from here on through 1989 – of at least five and a half per cent. It will require that the inflation rate during this period be held to four per cent while the unemployment rate falls to three and a half per cent. We, however, are in 1985 entering the third year of economic expansion not the first year, and we never ever – starting with the third year through the next five years – have had that kind of an economic achievement. It would be unprecedented and therefore it seems to me unlikely.

Now one consequence of this persistence of a large budget deficit is really that the government will have to continue, and we as an economy, to depend heavily upon foreign funds to finance American economic expansion. This is not an easy task – the dependence on foreign sources of funds. It means that opportunities in the United States will have to continue to be attractive. It means, number two, that our interest rates will have to remain competitive, and it would suggest also that we must continue to have an economic expansion and a competitive inflation rate vis-à-vis the rest of the world.

Already foreign sources of funds total some $90 billion, helping to finance the American economic expansion. But of this the composition is worth noting – it is not all in terms of foreign money coming into the United States to make security investments or direct investments. One of the important sources of funds has been American banks borrowing dollars abroad to finance domestic economic activity; while for many years in the past American banks were lenders of funds abroad rather than borrowers of money abroad. Therefore the international factor will be critical – quite critical – during the coming year. The continued strength of the dollar in the foreign exchange markets will help to contain the unlikely rise in inflation. If the dollar had not increased sharply this year's inflation rate in the United States would probably have been one to one and a half percentage points higher, and in addition to attracting foreign funds into the United States the expected continued strength of the dollar is also holding down the inventory financing needs of American business corporations. Now if by some chance the dollar would weaken, we all know that this would increase the value of U.S. imports initially and after a delay it would contribute to inflationary pressures at a time when inflationary pressures in the United States are likely to rise significantly.

Now the dilemma here is how long will the dollar remain strong? I believe that dollar strength probably will persist as we go into at least early 1985. The likely economic and financial developments that would suggest that the dollar would weaken depends on economic growth in Europe, and in Japan in particular. A stronger economic recovery in Europe and in Japan, together with signs that the American economic expansion is aging, would be the fundamental developments that would suggest that the dollar in the United States is about to weaken. The earliest that I find that this kind of pattern will emerge in the United States from a fundamental view – not an expectational one – is in the latter half of 1985. By that time American real growth may be in the range of two to three per cent. By that time European economic growth may be comparable to American real growth, and the capacity to produce and to sustain the economies of Europe on an upward path may be better than they are for the United States, where capacity utilization is high and the American recovery and expansion in 1986 will be entering its fourth year.

... it would seem to me that the setting in the United States is reasonably good for continued economic expansion, for a moderate rate of inflation over the near term, and for interest rates perhaps to creep up rather than to gallop up ...

In the meantime it would seem to me that the setting in the United States is reasonably good for continued economic expansion, for a moderate rate of inflation over the near term, and for interest rates perhaps to creep up rather than to gallop up. We have had in the United States the following interest rate pattern: Interest rates reached their lows cyclically in May 1983 with long-term government bonds at ten and a quarter per cent; then in May and June of this year and in July at fourteen per cent; and now we are at twelve per cent. We are up 175 basis points. Long-short term interest rates are up by roughly net from their cyclical low by a little bit more, let us say 200 basis points. From here on my belief is there is no immediate reason to have dramatic rises in interest rates. The value of the dollar is strong, monetary growth is within the acceptable range set by the Fed. Economic growth has slowed and perhaps now is re-accelerating; the value of the dollar, as I indicated, is strong and inflation is still moderate by recent standards.

Dr. Henry Kaufman speaking with Alf Powis

However, I indicated to you a number of events that are in the process of unfolding. One of these is the movement to short-term financing by the private sector in the United States; thus the key issue for participants to watch is not the long-term rate – it is the short-term rate. The short-term interest rate has become the financing rate for the private sector. As long as this rate moves upward only gradually rather than dramatically, the American financial system and economic system will adjust for quite some time; but when that rate has to be lifted dramatically in the latter stages of this economic expansion, it will begin to inflict pain into the system and it will be a retarding force. That problem I think will not surface in the next four, five or six months – the earliest is sometime in the latter part of 1985. But the more gradual the rise in short-term interest rates the longer the economic expansion and eventually, without a lowering of the budget deficit as we move to the very mature stage of this economic expansion, the risk is that there will be a severe explosion in American interest rates at the end of this economic expansion.

In the meantime we should all, both here and in the United States, enjoy the pleasure of the moment.

The appreciation of the audience was expressed by John D. Herrick, a Director of the Club.

Head Table

Roy Aitken
Senior Vice President,
Inco Ltd.

The Hon. Philip Andrewes
Ontario Minister of Energy
M.P.P. for Lincoln

Nuala Beck
President, Nuala Beck
Associates

Pearce Bunting
President, Toronto
Stock Exchange

Mrs. Mona Campbell
President, Dover Industries
Director, Toronto
Dominion Bank

A. Carlyle Dunbar
Investment Editor,
Financial Post
Editor, Empire Club
Yearbook

Peter Gordon
Managing Director
for Canada,
Salomon Brothers Inc.

Robert F. Gulliford
Vice President,
International Banking,
Royal Bank of Canada
Director of the Club

John D. Herrick
Chairman of the Board ,
General Mills of
Canada Inc.
Director of the Club

Rad Latimer
President and Chief
Executive Officer,
Trans Canada Pipelines Ltd.

Robert Linsley
Grade 13 student
in Economics
Eastern High School
of Commerce

Dr. Robert Mumford
Minister, St. George's
United Church

Arbo Niitenberg
Executive Vice President,
Operations, Ontario Hydro

Alf Powis
Chairman and Chief
Executive Officer,
Noranda Inc.

Mrs. Barbara Steele
Director, Spar Aerospace
Industries and of Electrohome (Canada) Ltd.
Director, Ontario
Heritage Foundation

Celia Franca, O.C.
Founder, The National Ballet of Canada

CANADA'S ARTISTIC BOOM II

October 25, 1984

The President
Catherine R. Charlton, M.A. Chairman

C.R. Charlton

Honoured guests, ladies and gentlemen: This is the second visit of Celia Franca[1] to our club, the first having been in February, 1959. It surely must be the first, out of the many thousands of encores she has received during her career that comes a quarter of a century after her original appearance! The explanation, of course, is that she has not exactly been waiting idly in the wings during the interim.

When I watch her vibrant enthusiasm and vivacity, I cannot believe that twenty-five years has elapsed since her last appearance. On the other hand, when I consider what she has accomplished for Canada's artistic life in the interim, I find it incredible she could have done this in less than a century!

Miss Franca arrived in Canada in February 1951, having been enticed here by a group of Toronto balletomanes determined to found a good ballet company in Canada. They had all witnessed Miss Franca's work with the Sadler's Wells Company, in which she had become, in the words of the director: "The finest dramatic dancer the world has ever seen." In her first year in Canada, while supporting herself as a file clerk, she recruited and trained dancers, staged some promenade concerts, organized a summer school, and gathered an elite artistic staff, including Betty Oliphant, George Crum and Kay Ambrose. The newly-formed Canadian National Ballet made its debut in November of that first year, at Eaton Auditorium. A year later, the company was touring Canada; and in 1953, it toured the United States.

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[1] *In October, 1985, Miss Franca was invested as Companion of the Order of Canada.*

Can a country adequately honour anyone who has

Catherine Charlton; Norman Campbell, C.B.C. Producer; Celia Franca; The Hon. Pauline McGibbon, Chairman, National Arts Centre made such a great contribution to its artistic life? I doubt it, but Canada has tried. No fewer than eight Canadian universities have bestowed honorary doctorates on Miss Franca; she has received a Woman of the Year award, the Civic Award of Merit from Toronto, and a newspaper award "for the most outstanding contribution to the Arts in Canada." She is an Officer of the Order of Canada and has a Centennial Medal.

Miss Franca, when you spoke to us in 1959, you gave us a brilliant, penetrating, and perhaps generous analysis of the assets and liabilities of the arts in Canada – as of that time. We await your encore.

Ladies and gentlemen, Miss Celia Franca.

Celia Franca

Madam Chairman, ladies and gentlemen: You have kindly invited me to speak to you again, an honour I deeply appreciate. When I last addressed the Empire Club in 1959 we were just seeing the first fruits of the development of dance in Canada and the National Ballet in particular. The company had made a place for itself in Toronto and across Canada and gained a reputation for professional production abroad in the United States and Mexico. A few years of evolvement had given us a chance to show the country what Canadian artists could do and the country found it good.

Seven months after the February address the National Ballet School was founded under the leadership of Miss Betty Oliphant, a bold step intended to give talented young Canadians access to the world's stages by offering for the first time in North America a complete educational system centred on dance. Within a few years the school was providing a steady flow of trained talent to Canadian and foreign dance companies, and took its place as one of the leading centres of dance education in the world.

In the twenty-four years between 1959 and 1984 the arts in Canada have been transformed. The growth of art galleries, museums, theatres, concert halls, orchestras, writing, has been an explosion of creative talent and public response. All levels of government – federal, provincial, and municipal now have programs in the arts. The number of creative artists in all fields has multiplied a hundredfold. Most private corporations have as part of their structure an office and a budget taking special interest in the arts. Firms send their officers to conferences and seminars to study how the businessman and the artist can better work together for the enrichment of community life.

To celebrate its 150th anniversary Toronto mounted a dazzling Festival embracing the full range of music and theatre from amateur talent to some of the greatest international companies. The arts in Toronto and across the country have become a resource which Canadians recognize as having national importance. This accomplishment is the result of the fruitful combination of the artist who creates the art, and the "amateur" who loves it: individuals, corporations, foundations, government work together to find audiences and the funds to give expression to our creative talent.

We have come through a period of trial. The strength of our commitment to the arts has been sorely tried by the serious financial problems of the past few years. Economic recession with its accompanying unemployment, fiscal restraint, and a host of pressing problems has placed enormous pressure on the arts community. (Indeed, dancers' salaries are still pathetically inadequate despite the efforts of unions, fund-raisers and volunteers.) When hospitals must be closed, universities curtailed, and welfare budgets soar, there is a great temptation to pare "frills", and to some eyes the most visible "frill" is the opera, or the ballet, the theatre, the art gallery, this whole range of "unnecessary" services we call "art".

... our commitment to the arts has been sorely tried ...

It is a satisfaction to me and I hope to everyone here that by and large we have resisted that temptation; Roy Thomson Hall was opened at the bottom of the worst recession since the Second World War. (History has of course shown us – witness Great Britain's cultural boom during that war – that people need the arts most urgently in tough times.) Despite constraint its seats are filled day in and day out for the finest in what was once called "long-hair music". The hair may still be long but the Hall can frequently boast capacity attendance by the great public of this city – and the music which is performed there can truly be called popular. Yet there is more to the story of Roy Thomson Hall: not only has it provided a setting for great music, but it is also a generator of economic activity – money for musicians, jobs for the network of technicians and promoters, revenue for a host of small businesses, printers, taxi drivers, restaurants, and it is another great attraction for tourists visiting Toronto.

This combination of artistic and economic pay-off is a demonstration of what is possible – it is exciting, it is beautiful and it pays. And there are many other examples of such pay-off, whether we think of the effect of a large organization like the Stratford Festival or the tiny Blythe Theatre in a little town north of London the story is similar; prudent investment in the arts pays off for the whole community.

... business investment is a gamble – so is theatre – so is ballet ...

Now when I use the words "prudent investment" I must make clear what I mean or perhaps I should start by saying what I do not mean. I do not need to remind this audience that business invesment is a gamble – so is theatre – so is ballet – and prudent investment does not mean not taking risks. Where there are risks there will be failures. For example, under the leadership of Robin Phillips, undoubtedly one of the world's great drama directors, Theatre London embarked last year on a challenging program of plays. The performances were excellent and received critical acclaim but the box office was disastrous. The good side to that story is the sequel: rather than throwing in the towel, board members of Theatre London are reorganizing their approach, and setting out to rebuild their audience. I am confident they will succeed.

Prudent investment, then, requires a combination of judgement and luck. In ballet, the field I know best, judgement is required to bring together several key factors; the director must constantly seek ways of developing the art – both dancer and customer soon tire of the same old thing done in the same old way. The great classics such as "Swan Lake" or "Sleeping Beauty" must be interpreted afresh for each new generation of theatre goers. The director is also ever on the search for new ballets – the coming choreographer who shows promise, who can challenge us, enrich our enjoyment and understanding of who we are. And in the reckoning the director is constantly seeking to present honest art in an exciting way, for the theatre public is fickle, and very quick to spot the phony. Good stuff well presented, with judgement and luck, fills houses.

When I speak of houses, ladies and gentlemen, now I am talking about where you come in. You have in the National Ballet one of the few great classical companies in the world and their home is Toronto. Yet after over thirty years of world-recognized achievement this is the only such company that has no home. The Bolshoi Ballet has the Bolshoi Theatre in Moscow; the Royal Danish Ballet has the Royal Theatre in Copenhagen; the Royal Ballet has the Royal Opera House, Covent Garden. Our National Ballet existed eighteen years before acquiring permanent rehearsal and office space at the St. Lawrence Hall – space it has outgrown. The ballet needs a permanent theatre designed for the best possible presentation of the art and the greatest possible enjoyment by the audience. The hiring of the O'Keefe Centre for a few weeks of the year is not good enough now and has not been good enough for many years. I have here a clipping from the *Toronto Star* dated Tuesday, April 5, 1966. The heading reads "Miss Franca seeks opera house". Please bear with me – I cannot resist quoting a few sentences from the article:

> Not a brick is yet in place at the St. Lawrence Centre for the Arts – but already a campaign is being launched for something new. Celia Franca, artistic director of the National Ballet, last night announced

that she wants a $16 million opera house.

The 2,000-seat opera house would be shared by the Canadian Opera Company and the National Ballet. Both now use the O'Keefe Centre. Miss Franca doesn't expect to win her opera house for 10 or 15 years. She is starting now because years of talk are needed before the public will accept the project.

Our dancers, musicians, directors and designers have accomplished miracles working against incredible odds – they have no theatre in which necessary weeks of rehearsal can be used to polish all the elements of dance in preparation for that opening night. After choreographing in the dance studio no more than three feet away from the dancers the choreographer deserves the right to sit back in a theatre and take time to view his or her work from a distance and then to take more time for adjustments; designers of costumes, scenery and lighting and musicians and conductors and dancers – all need to work and "live" in and become familiar with their own HOME – a home which is designed to present great art to a deserving public.

Toronto balletomanes who saw the Bolshoi Ballet's first performance of "Giselle" at Maple Leaf Gardens will remember the great ballerina Galina Ulanova. I will never forget her exquisite bourrée en arrière – the floating quality of her run backwards on her pointes – and the shock when for lack of stage depth she hit the scenery against the back wall and fell. Later, she graciously visited the National Ballet at the St. Lawrence Hall. Not surprisingly she said "You must get your own theatre".

Last June many Ottawans attended beautifully presented performances of the Hamburg Ballet at the opera stage of the National Arts Centre. What a pity Torontonians and visitors to the Festival could not enjoy the same quality of performance when the German company played here!

Now I know that money is tight. And I realize that an opera house is pricey. Yet I urge you to think in terms of investment: an opera house will be an enormous generator both for the arts of ballet and opera and for the economy. It is also necessary for Toronto to live up to its promise of being one of the great centres of the performing arts in the world.

Madam Chairman, the word challenge has a thrilling ring to it. The late Herman Geiger-Torel was, I am sure, thrilled to take up the challenge of building the Canadian Opera Company. I have often been asked why I and my supporters went through the agonies of developing the National Ballet. The answer of course is – the excitement of the challenge. Our successors, Lotfi Mansouri and Erik Bruhn, are marvellously talented men of vision. Let us now help them reach a new plateau of excellence by accepting the challenge of building them an opera house par excellence – a place to stand – a house which will be S R O – sold right out – standing room only.

The appreciation of the audience was expressed by John MacNaughton, a Past President of the Club.

Head Table

Norman Campbell
CBC Television, Producer

Paul D.J. Clark
Account Executive, Burns Fry Ltd.
Director of the Club

Clarence B. Crummey, M.D., F.C.F.P.(C)
Director of the Club

Arthur Gelber
Chairman, Ontario Bicentennial Advisory Commission
Former Chairman National Ballet and the Ontario Conference of the Arts

John Houlding
President, National Ballet of Canada
President and Chief Executive Officer, Polar Gas

The Rev. Mrs. Ann Howes
Associate Minister, Metropolitan United Church

Dr. William Kilbourn
Historian and author
Past Chairman, Toronto Arts Council; Former member, Canada Council

Dr. Nick Laidlaw
President and Chairman, The Laidlaw Foundation

John MacNaughton
Director, Burns Fry Ltd.
Past President of the Club

Linda Mayvarduk
Principal Soloist, National Ballet of Canada

The Hon. Pauline McGibbon
Chairman, National Arts Centre; Former Lieutenant Governor of Ontario

Kerry Tooth
Grade 13 student, Malvern Collegiate Institute

Valerie Wilder
Artistic Administrator, National Ballet of Canada

Edwin A. Goodman, O.C., Q.C.
Senior Partner, Goodman and Goodman
Chairman, The Royal Ontario Museum

PATRIOTISM IN PEACETIME

November 1, 1984

The President
Catherine R. Charlton, M.A. Chairman

C.R. Charlton

Honoured guests, ladies and gentlemen: Before proceeding, I invite you to join with me in expressing our deepest sorrow at the violent passing of Prime Minister Indira Gandhi.

We were honoured when Mrs. Gandhi addressed the Empire Club in 1973, and it had been my hope that she would visit us again. Her death is a shock to us all, and her leadership, both at home and throughout the Commonwealth, will be greatly missed. We abhor the violence with which she died and we mourn her passing.

Please join me in a moment of silent respect for the Rt. Hon. Indira Gandhi. Thank you.

On October 11, 1918, Edwin Alan Goodman, foreseeing, no doubt, that World War I would end in exactly one month, allowed himself to be born.

This perspicacity was to stand him in good stead all his life. It has also stood the Conservative Party of Canada, of which he has served as National Chairman, and the Conservative Association of Ontario, of which he has been a Vice President, in good stead. Premier Davis has been quoted as saying: "Every political leader should have an Eddie Goodman". But this foresight has also been of great service to many non-political groups, such as the Royal Ontario Museum, which is currently engaged in a major capital campaign. Mr. Goodman was also a founding director of the National Ballet of Canada. The list of other cultural or health organizations which have benefited from his drive and sage counsel is a long one.

Educated in Toronto schools and the University of Toronto, Eddie Goodman was in the middle of his studies

Edwin A. Goodman, O.C., Q.C., *with Catherine Charlton* at Osgoode Law School when World War II erupted. He enlisted and served overseas in the Fort Garry Horse armoured regiment, reaching the rank of Major. He was twice wounded in Normandy, and was mentioned in dispatches.

After the war, he returned to his law books at Osgoode, and was admitted to the bar in 1947. He joined the firm of Goodman and Goodman; was appointed a Queen's Counsel in 1954; became a Bencher of the Law Society of Upper Canada and was honoured by being appointed an officer of the Order of Canada.

So far, I have tried to condense in these brief comments, the "outward and visible" achievements of Eddie Goodman. But let us not forget the "Inward and Spiritual" side. I have mentioned his perspicacity. But he has another dominant trait, much appreciated by his many friends; the simple, and I hope not old-fashioned trait of loyalty. If he adopts a cause he never waivers in giving it his very best support. The same characteristic is true of his personal relationships.

Ladies and gentlemen, the Tory's Tory, citizen extraordinaire, Mr. Edwin Alan Goodman.

Edwin Goodman

This year is the fortieth anniversary of D-Day and, on the sixth day of June, like tens of thousands of other Canadians, my mind wandered back to that exciting and, if I may use an overworked adjective, historic day in 1944 when my regiment, the Fort Garry Horse, landed on Juno Beach in Normandy. The First Canadian Corps was part of the Second British Army under General Dempsey and there followed the slow rolling back of the German army culminating in its total surrender and the return of freedom to western Europe.

During that war, it was so easy to understand one's duty to one's country. It was to expend all your efforts to contribute in one way or another to the war effort. The whole of Canada had two objectives – to win the war, and to preserve the democratic institutions in the world so that free men could live in dignity and peace. While we achieved the first objective, I am not so certain about the second. Over half of the world's people live under tyranny and, in the democratic portion, millions live in conditions no one in this room would find acceptable for himself or his family.

In North America and in most other parts of the free world, we have embraced capitalism as the economic instrument for achieving that equitable distribution of the world's goods which is essential to a democratic society. At the present time, I can see no other course open to this country, or to the other democratic industrial states to follow. I do not believe, however, that we will be successful in achieving a fruitful life for all Canadians nor for that matter will we be able to preserve the system itself if we do not make certain that the system provides an equitable distribution of wealth and services. Capitalism cannot be defined as security for the rich and private enterprise for the poor.

... Everyone ... can assist in providing essential services for the less fortunate ...

Unless they enter public life, individual Canadians may not be able to play a significant role in ensuring a fair distribution of wealth. Everyone, however, can assist in providing essential services for the less fortunate. The professional and business classes who enjoy a large share of our wealth must recognize that they, in particular, have not so much an obligation but an opportunity to give leadership to their fellow countrymen in peace, in the same manner if not to the same extent, that they had when Canada was at war, particularly in this field.

My simple thesis is that it is our patriotic duty which if discharged will turn into great fun and enrich our lives to do more than pursue our gainful occupation and provide for our families. This obligation/opportunity can be found in several ways. First, by volunteer service to the community at whatever level and for whatever philanthropic, educational or cultural cause that appeals to us; and secondly, and note it is AND not OR, by donating a fair portion of our income or corporate profits to philanthropies to a far greater extent than Canadians have in the past; and, finally, by devoting a good portion of our time to supporting those in public life or better still by entering public life as a career.

Let me deal with a public career first. For far longer than I am prepared to admit, I have held various offices in the Progressive Conservative party both in Ontario and in Canada. This has given me the opportunity of realizing the tremendous sacrifices that are made by not only those who hold public office but also by our senior career public servants.

These sacrifices include the impairment or in many cases the destruction of promising and lucrative careers in the private sector, living at standards far below that which men and women of their capacities would have been able to achieve in private life, and having their motives and their actions constantly questioned – usually by the media liberally sprinkled with reporters who have neither the training nor the time to understand the issues. Finally, the public servants, elected or otherwise, must suffer the interruption and often destruction of family life by the demands of serving their city, their province or their country.

In today's society, it is in politics, not in the church, where the modern standards of morality are set. Furthermore, it is not only in the market place but in the legislative bodies as well that economic decisions are made which affect everyone's life. Certainly, therefore, we should accord both a high standard of respect and a comfortable living to those people whose actions affect our present and our future.

... We have been most fortunate in Canada both in the standards of conduct and the intelligence of people in public life ...

We have been most fortunate in Canada both in the standards of conduct and the intelligence of people in public life but like everything else except my wife's cooking, it can be improved. That improvement requires a higher degree of respect and understanding for the efforts of men in public service. This can only be achieved through a higher degree of participation in the process by the citizens of the country – a participation that goes beyond joining a ratepayers' group when your community is threatened.

Participation in public life is not the main burden of my refrain this noontime. I wish to speak to you about the other two matters which I feel are the duty of all Canadians, especially the professional and business classes – volunteer activity in private, social, cultural, religious and educational organizations and a much higher standard of philanthropic donations. The limited extent to which volunteerism plays an important role in the lives of most individual Canadians and the low level of our private and corporate philanthropic contributions is cause for serious national concern.

The emergence of many new voluntary associations and new vistas of thought and broadening activities are an indication of the interest of many Canadians in new and different social, educational and cultural causes which include correction fields, distress centres, day care centres, conservation organizations, museums and art galleries, as well as the traditional religious, health and education causes. Nevertheless, the evidence is incontravertible that the participation in all of these philanthropic matters is limited to a small percentage of the community and a small percentage of the professional and business community. Furthermore, if the private sector does not recognize and meet its obligations in these fields, it is a statement that the state must be all pervasive and will endanger the continued existence of the capitalist system.

Let me refer to a statement that puts succinctly the importance of volunteerism and private charity action. I am now quoting from an article by Joseph Berman and Edward Waitzer in *The Philanthropist* of 1982-83:

> Private charitable action has certain qualities which are indispensable to an enlightened and free society. Private charitable institutions can provide freedom of choice and competition. They can set standards and experiment in areas too controversial for gov-

> ernmental bodies. Their independent status allows them to monitor and evaluate publicly governmental performance in the various areas of health, education, culture and social service. They can fill gaps in publicly provided services and offer a means for greater citizen participation in social action. They can help safeguard intellectual and artistic freedom and civil liberties. Finally, they can engage in the definition and preservation of society's highest values, especially those of a spiritual and religious nature.

There are many patriotic Canadians who would strongly endorse the values that Mr. Berman and Mr. Waitzer place on private charitable activities. Unfortunately, they do not represent anything like the majority of Canadian citizens. The statistics show a startling decline in philanthropic activities during the past decade. Today, only fifteen per cent of adult Canadians donate their time to volunteer causes and that time averages from 2.2 hours in Prince Edward Island to 4.2 hours in British Columbia for an average of less than three hours a week in the country. This means that we are faced with an expanding field of social, cultural and philanthropic needs and a shrinking work-force. When you add to this the realization that the last decade has brought a realization of how finite are government resources in these same fields you get some idea of how serious is the crisis.

Unfortunately, we have not yet touched upon the most serious problem facing Canadian volunteer philanthropic organizations – the unsatisfactory level of philanthropic contributions of both individual Canadians and most corporations carrying on business in

Canada – a selfishness which the statistics show is on the increase. Listen to these statistics:

> In 1960, 24.5 per cent of Canadian taxpayers claimed charitable donations of more that $100–in 1979, 10.3 per cent. Only eight per cent of corporations claim charitable deductions on their tax returns and fifty per cent of all corporate donations come from the top one per cent of Canadian corporations. The breakdown is even more disturbing. Since 1958, individual donations in Canada have dropped from two per cent of assessed income to 0.5 per cent in 1980. Corporate donations have dropped from one per cent of the pre-tax profits in 1958 to 0.5 per cent in 1980. This, incidentally, is only sixty per cent of American corporate figures. Individuals and corporations have failed to seize their opportunity to serve and enrich the society of which they are a part.

If it were not for the leadership of a small number of large public corporations and a few foundations, most Canadian philanthropies and social and cultural causes would be in dire straits.

This startling lack of largesse gives rise to two questions: Why are Canadians so selfish? What are the consequences of their meanness?

It is my view that the answer to the first question – Why – is simply that we live in an increasingly materialistic age when the ease of communications and its accompanying advertising have turned all of us and particularly those from twenty-five to forty into a totally consumer-oriented society – Hi Fi's, clothes, cars and food is far more important to the "ME" generation than the well-being of our fellow citizens. What is sadder is that we have retrogressed from ME TOO to ME FIRST – to ME.

Only one Canadian in ten is prepared to give up once a year the price of dinner for four (tax deductible) in order to help his neighbour – the government allows deductions from income tax for gifts to philanthropies of up to twenty per cent of income. Canadians average one half of one per cent of assessed income as donations.

The other major factor in the decay of our old sense of social conscience is that society looks to governments to do everything. The age of personal responsibility is past.

What will be the consequence of this sad transition from old-time values to modern materialism? I suggest a view illustrative of specific consquences:

Research into many modern diseases will be seriously hindered;
Local community organizations protecting the social fabric of our cities will cease to function;
Our universities will become stereotyped;
Our museum and art galleries will become second rate;
Mentally disturbed children will become mentally disturbed adults;
Our aged will be allowed to live in lonely isolation;
(incidentally, pensioners give twice as well as any other class)
Our churches will fall into disrepair;
Our wetlands and bird sanctuaries will gradually shrink.

Many orphan boys will never have a Big Brother.
While the specific losses, of which I have given a few

examples, will be unfortunate – the harm to our democratic institutions and our fundamental values is far more serious. The involvement and social participation of individual citizens is fundamental to a successful society. The sharing of altruistic effort provides the bonds which bind a community and strengthen human values. To quote the National Advisory Council on Voluntary Action:

> Voluntary action encourages Canadians to develop and express a sense of responsibility for themselves, their communities and their world and to express this responsibility with concern and compassion. In short, voluntary action helps Canadians grow as citizens. It also brings to bear on social and political activity certain viewpoints and the concerns which would otherwise be ignored or not heard.

Ladies and gentlemen, the right to participate in and help finance the formal and informal political process as well as the social and educational process is not available to the great majority of people in the world. It is in Canada. While I have been talking about duty, in fact it is a rewarding opportunity. Let us hope that more Canadians will take advantage of the opportunity.

Giving a sermon is a new experience for me but I am glad I have done it.

The appreciation of the audience was expressed by Sydney Hermant, a Past President of the Club.

Head Table

Sydney Cooper
Chairman, Building Committee, Baycrest Hospital for Geriatric Care
President, TORIL Holdings Ltd.

Thomas Evans
Partner, Evans and Evans
President, Canadian Bar Assoc., Ontario Branch

Robert Harris
Executive Director, Progressive Conservative Party of Ontario

Sydney Hermant
Chairman, Imperial Optical Ltd.
Past President of the Club

John P. MacBeth, Q.C.
Vice Chairman, Ontario Police Commission
Director of the Club

Harold Martin
Senior Vice President, Trust & Loan Division, Central Trust

Kay Masters
President, Women's Volunteer Committee, Royal Ontario Museum

Ian D.C. McPhail
Barrister, and Director of the Club

Rabbi David Monson
Rabbi, Beth Shalom Synagogue

Betty Oliphant
Artistic Director and Ballet Principal,
National Ballet School

Jack Rhind
Chairman & Chief Executive Officer, Confederation Life
Canvasser for ROM Galleries Campaign

John White
Chairman, The Ontario Heritage Foundation
Chairman, First Canadian Mortgage Fund

Charles Ritchie, C.C.
Author and Diplomat

AS OTHERS SEE US

November 8, 1984

The President
Catherine R. Charlton, M.A. Chairman

C.R. Charlton

Honoured guests, ladies and gentlemen: As this is the closest meeting to Remembrance Day I have asked Brigadier General Reginald Lewis, a Past President of the Empire Club, to make some remarks in commemoration of November eleventh.

BGen. Reginald Lewis

Four years ago in the cool spring sunshine of a May morning, I stood on a hill north of Groesbeek in Holland with the neat geometry of the Dutch countryside falling in each direction. I was standing in the Groesbeek Military Cemetery and although one has heard how beautifully the wartime cemeteries are kept, the first-time visitor is not prepared for the simple quiet dignity of the place, nor the meticulous care lavished on the smallest detail. The scene at Groesbeek was dominated by a tall Cross of Sacrifice standing like a sentinel over the neat orderly row of headstones which mark the resting places of the young dead of thirty-five years before. Here 2,336 young Canadians lie buried, and here 108 of their comrades with no known graves are memorialized. I was standing in the company of several hundred veterans who had returned to Holland at the invitation of the Dutch people in order to commemorate with them the thirty-fifth anniversary of the liberation of that country, and who on this morning were paying tribute to their former comrades.

Many of these same veterans had stood in the same place on a cold winter's February morning of 1945 when Groesbeek was on the start line of Operation "Veritable" which launched First Canadian Army into Germany, and the bloody battles of the Reichwald Forest lying less than two miles to the east. And now they were there to remember. Those who like them had left their families, the farms, the towns and the great cities with all the anticipation, vigour and confidence of youth – but unlike them, were to die in a foreign land in service of King and country. And now they lie buried beneath the headstones recording brightly in the spring sun the regimental number, name, unit, date, and most poignant of all, age – nineteen, twenty, twenty-one, twenty-two – and here and there the old man of thirty-five.

As I watched the veterans threading their way through the headstones, searching out familiar names, I was struck by the bond that existed even yet between the aging veterans and those for whom time had stopped thirty-five years previously, and who will remain forever young. That bond was heightened now by the physical nearness of one to the other. It was an emotional experience for me, one that I will not soon forget. I want to share the moment with you on this occasion of remembrance when some recall the memories of fallen comrades, while others conjecture on the sacrifice of those who lie in the likes of Groesbeek.

Ladies and gentlemen, will you rise and join me in a moment of silent remembrance of those who paid the supreme price.

Charles Ritchie, C.C.; Catherine Charlton;
The Rt. Hon. Roland Michener, Honorary Chairman of the Club

C.R. Charlton

Thank you General Lewis. Service to Canada is appropriately the theme for today and who better to exemplify the best in public service than our guest speaker, Mr. Charles Ritchie.

To some extent it could be said truthfully that the world owes something to every diarist, to any person who will take the trouble to preserve while it is still garden-fresh an incident, an event or the passing scene in the amber of the written word. This can be true even of trivia, as the briefest dip into the diary of Samuel Pepys will reveal. But the greatest debt is owed the diarist who is keenly observant, articulate, witty and who has lived his life backstage so to speak in the world drama, helping to shape what is happening on stage. Such a combination is exceedingly rare but one such person is our speaker today.

That Charles Ritchie does have these requisites is patently established in each of the four interlocking volumes he has published; *The Siren Years* (1974), *An Appetite for Life* (1977), *Diplomatic Passport* (1981), and the final book of the quartet, *Storm Signals* (1983). With never-flagging interest these books cover his youth in Halifax and Oxford, his years as a young diplomat serving Canada in London, his steady climb in the diplomatic service in Paris, Ottawa and Bonn, to the final volume which tells of his last two postings as Canadian Ambassador to Washington and as High Commissioner in London.

Ladies and gentlemen, Mr. Charles Ritchie.

Charles Ritchie

Madam Chairman, ladies and gentlemen: I was rather over-powered when I looked at the roster of speakers who have addressed this historic influential club, and I thought “what is an old retired diplomat doing among these former Prime Ministers and active Prime Ministers and Profound Thinkers,” but I find that I am enjoying myself so much due to the warm welcome that I have had from your distinguished President that I am beginning to relax. I think that the fine hand of my old friend the Rt. Hon. Roland Michener had something to do with my being here, which of course sets me a very high standard.

I was asked whether I had a text of my speech. I have not. At the moment I am rather off texts and I will tell you why. During the last electoral contest a friend of mine was working as a speech-writer for one of the protagonists, and he had a row with his political master, when the politician was making a speech (I will not say where or for what party). He started to read the speech and it began "there is no easy solution to the twin problems of inflation and unemployment, but I have a few positive thoughts to put before you today." He turned the page and on it the script-writer had scrawled, "you're on your own now Mac". So, I feel I really am on my own.

I have called the subject of what I am going to say to you today "As Others See Us" because it really did seem to me that, having spent a great part of my working life abroad, I must have some idea of how we Canadians look to other people. I have tried to picture the Canadian delegation as arriving at a conference, beginning to participate – and to see what are the qualities people would find in them. I think they would say that the Canadian delegation had a lot of goodwill, were pretty hardheaded when it came to bargaining on practical things, were friendly – perhaps rather touchy, and not welcoming anything that hints of condescension.

Canadians are seen as having a real gift which we have shown in NATO, in the United Nations and in the Commonwealth, for constructive compromise. By compromise I do not mean lying down supinely and being walked over, but the kind of conciliatory approach to practical problems which is so necessary in the international world of today and which is a mirror image of what has so far kept this country together. I do not know whether there would be another comment, perhaps less complimentary. We express ourselves sometimes in a very preachy, moralistic tone. We do not notice it ourselves, but it is as if we said "if only everybody else was as sensible as we are, there wouldn't be these problems in the world," and this sometimes is noticeable as smugness. I am talking of course about official Canada, but Canada abroad is all of us when we go anywhere and it is business, it is the arts, it is professional groups who are meeting all around the world with their opposite numbers so there is an enormous network of relationships. On the artistic side Maureen Forrester is a better ambassador than most.

> *... When I was a boy ... we were all for the Empire ...*

It is a curious thing that we have in the past defined ourselves as a nation by what we were not. When I was a boy growing up in Nova Scotia we were all for the Empire, we were all Imperialists. Now it is a dirty word, but that was what we believed in. Then when as a young man I served under Mackenzie King, we were founding a foreign policy of our own and the principal thing was to show that we were not British, we were something different. And under his aegis we evolved a foreign service of our own and a foreign policy.

By the way, I must interrupt myself for a moment. I had a visit from Mackenzie King quite recently. I was reading aloud from his diaries to my wife, as we were sitting up in bed and I made some rather impertinent comment and suddenly the whole bed slid from under us and I knew who had done it. There was no question in my mind that he was up there "listening to me". Poor Mackenzie King, he was a really remarkable man but it was those damn diaries that did him in. Speaking as a diarist myself the message is "burn before dying". Perhaps I will.

> *... We then entered the fraternal embrace of the United States ...*

Well, we differentiated ourselves from the British. We then entered the fraternal embrace of the United States. Now at the present moment, we are on the brink we think, of one of those delightful honeymoon episodes in our up-and-down relationship with the United States. Long may it last! It will not last forever but you can have recurrent honeymoons. When I was in Washington we had first of all the collision between Mr. Diefenbaker and President Kennedy. On top of that there was a honeymoon between Mike Pearson and Kennedy. That lasted for a time and was followed by the outburst of outrage on the part of President Johnson with Mr. Pearson for suggesting, very mildly suggesting, a temporary interruption of the bombing of North Vietnam.

There were bound to be these ups-and-downs, but I think that in the present atmosphere there are more opportunities than there are points of dispute. After all, you see, it is not as if we were married to the United States but we are shacked up with them. If you have to be shacked up with somebody I do not think you could be shacked up with a better partner because in all these rows, diplomatic rows about which I have been talking, one thing that was noticeable was that there was no intermission in the personal friendship of Americans. It never spilled over into any bitterness between the two peoples. Or even between their representatives. One thing I would suggest to all ministers and prime ministers visiting Washington is that when they arrive in the capital they do not give a speech aiming at their own constituency at home, because Americans are not particularly interested in it.

... But how much do others see us at all? ...

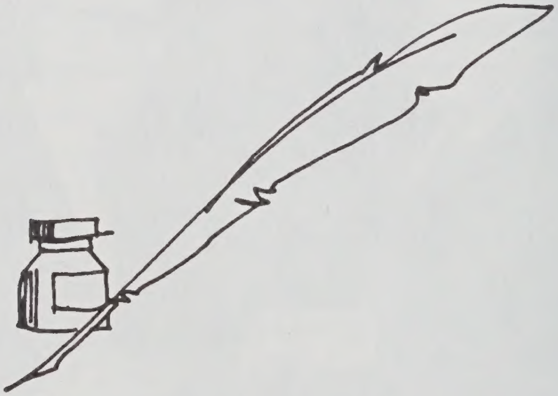
But how much do others see us at all? It is as hard to get a really, informed, lively interesting story about Canada into the press in New York or London or Paris as it is to get a camel through the eye of a needle. It is a sort of invisibility syndrome and yet exchanges at all levels go on between us and other countries. Still we do not grab the headlines; whether we have to have more revolutions or not I do not know. I do not think we should worry too much about it. I know in Nova Scotia we used to think that though we may have been invisible to other people, we did not feel invisible. We thought it was the other people who were unenlightened. We were taught that it was an educational mission for Nova Scotians (I hope there are a few in this audience) to go to outer regions like Upper Canada and try to spread a little general civilizing influences. I do not know how well the job has been achieved.

Canadians are sometimes seen as respectable people but a bit on the stodgy side, dull. Well, I think this is nonsense. Temperamentally, Canadians are rather highly emotional, excitable and often acting on impulse; if all that is bottled up it is still there and so far from being a particularly nice or respectable race, we are nothing of the kind. A city like Toronto is so varied and so alive and so vibrant that nobody could possibly describe it as stodgy! I come from Ottawa. I have been asked several times, "You live there! You live there! Are you in the government?" I said, "No, no I'm not in the government". "Oh, everyone to his own taste – but if you want to live in the sticks!" The name Ottawa has not resounded in the ears of the population of Canada with a very melodious note, but perhaps it will get more melodious.

John White, Chairman, The Ontario Heritage Foundation and former Treasurer of Ontario, with Charles Ritchie

Ladies and gentlemen, we have had a lot of worry in the past; some people have worried a great deal about the Canadian Identity. Now I personally have never spent a sleepless night about it but it has been a problem for many people. And I think it is about time we stopped going on about the Canadian Identity. It is a sort of adolescent fantasy that has hung on too long. We are not a young country at all. In the United Nations we are elderly or middle-aged compared to three-quarters of the nations there. This idea of our future – the future – what about the present? If we do not do whatever we are going to do now, we will never do it because we are quite grown up now.

Seen from the outside any group of Canadians, no matter what their racial origin, would seem more like each other than any of the countries or races from which they sprang. I do not really think we need to be sloganized or lectured as to what it is to be Canadians. I think we all have a pretty good idea of what it feels like, and I think we have no intention of relinquishing the privilege.



The appreciation of the audience was expressed by the Rt. Hon. Roland Michener, former Governor General of Canada and a Past President of the Club.

Head Table

Leland H. Ausman
Former Foreign Service Officer
A Freeman of The City of London
Archivist of the Club

Irene Beatty
Director of Administration and Personnel, Office of the Premier of Ontario

Sybil Geller
President, Ontario Division, Canadian Red Cross

Peter G. Harris
National Director, Christian Children's Fund of Canada

Bob Johnson
Grade 12 student, Monarch Park Collegiate

BGen. Reginald Lewis, C.D.
Past President of the Club
President , Sesquicentennial for Toronto

Rev. The Hon. David MacDonald
President Designate for Canadian Interfaith Television Network and Minister in the United Church of Canada

The Hon. Roy McLaren
Chairman, C.B. Ltd.

The Rt. Hon. D. Roland Michener, P.C., C.C., C.D., Q.C.
Former Governor General of Canada, Honorary Chairman of the Club

BGen. Donald Pryor, C.D.
Commander, Central Militia Area
President, Armatic Control Ltd.
Life Member of the Club

Bruce Rankin, LL.D.
Former Canadian Ambassador to Japan
Director of the Club

Elizabeth Shanahan
President, Municipal Chapter of Toronto I.O.D.E.

J.B.E. Ph. van Hoeve
Consul General of the Netherlands

Col. Denis Whitaker
Consultant and Director, Burns Fry Ltd.
Hon. Col. Royal Hamilton Light Infantry
Author of "Tug of War"

Photos taken prior to dinner at the R.C.M.I.

Douglas L. Derry, F.C.A.
Immediate Past President

PAST PRESIDENTS' DINNER

November 13, 1984
Royal Canadian Military Institute

The President
Catherine R. Charlton, M.A. Chairman

Program

Vice Regal Salute	
Grace	The Rev. Harold Roberts Director of the Club
The Queen	Setrak Adourian Director of the Club
Greetings on behalf of H.M. Queen Elizabeth II	The Hon. John B. Aird Lieutenant Governor of Ontario Hon. Vice President of the Club
Toast to Canada and the Commonwealth	Edward B. Jolliffe, Q.C. Past President of the Club
Response	William M. Karn Past President of the Club
The Empire Club of Canada and Its Past Presidents	Margaret Scrivener, M.P.P. Director of the Club

Response	Stephen F. Andrunyk, O.M.M., C.D. Past President of the Club
Presentation to the Guest of Honour	Catherine R. Charlton, M.A. President of the Club

Toast to Canada and the Commonwealth

Edward Jolliffe

Madam President, friends and colleagues: I have the privilege of proposing that we pause for a few monents to pay honour where honour is due.

Throughout the long history of this club, it has been closely identified in its own way with the growth and development of our country and of the community of nations of which Canada is a senior member. The evolution of both Canada and the Commonwealth are two of the most significant and extraordinary phenomena of this century.

A day or two after November 11 it may be proper to recall the parts played by Canada and other members of the old Empire and Commonwealth from 1914 to 1918 and from 1939 and to 1945. It was a great surprise to those who thought we had drifted apart and could never stand together again. We do not forget!

If I may digress slightly: in this club our last major project during my presidency was the dinner on June 6, 1969, to mark the twenty-fifth anniversary of D-Day. In planning it I was helped by Bob Hilborn, the late Ted Royce, and Trumbull Warren. I thought the ideal speaker would be F.M. Lord Montgomery, the great commander who led our Canadians and their allies on that day, and who I knew had a very high regard for his Canadians. I had a most interesting correspondence with the old soldier. He was very anxious to come. What is more he was deeply touched, and he said so and that his only invitation to commemorate that historic day came from the Empire Club of Canada. But the doctors would not let him travel, so his message was taped for our dinner and introduced by Lord Montgomery's Chief of Staff, from El Alamein to Berlin, Major General Sir Francis de Guingand.

Sir Francis said, as recorded in our *Yearbook,* page 302: "I'm afraid tonight it's very sad that you have not got our old chief Montgomery with you ...".

After we had heard the message, Sir Francis reminisced for awhile about the war, and told us of the day he welcomed the German Field Marshal Jodl, who had come to capitulate. Sir Francis said, and this is at page 310 of the *Yearbook:* "I asked my ADC to go over and offer him lunch. He refused a dry martini. And I remember thinking what a terrible position to be in, having been so important a general, absolutely lauded by the German people and now going to sign the unconditional surrender of his country."

And on the next page: "As you know he was strung up after the Nuremberg trials."

Well, I thought the D-Day dinner was a success; but it had a strange sequel which has no place in the annals of Canada or the Commonwealth, but is among the most horrific experiences ever of a president of this club. Of course I read the galleys of the *Yearbook* carefully. When I received the first copy of the book itself, however, I was absolutely horrified to discover that eight pages had been misplaced, pages 303 to 310. And this was the awful result: at the foot of page 303, Sir Francis

Past Presidents' Dinner

Past Presidents' Dinner
Front Row, left to right:
BGen. Stephen Andrunyk, Past President and Chairman of the Nominating Committee; MGen. Bruce J. Legge, Q.C., Past President and President of the Empire Club Foundation; Douglas Derry, Immediate Past President;
Catherine Charlton, President; Dr. Harold Cranfield, Past President; John W. Griffin, Past President

Past Presidents' Dinner

In attendance at the dinner were:

Past Presidents of the Club

BGen. S.F. Andrunyk
Robt. L. Armstrong
Sir Arthur Chetwynd, Bt.
Harold V. Cranfield, M.D.
Douglas L. Derry, F.C.A.
John W. Griffin
Peter Hermant
Sydney Hermant
Col. R.H. Hilborn
Arthur E.M. Inwood
E.B. Jolliffe, Q.C.
James H. Joyce
Wm. M. Karn
MGen. Bruce J. Legge, Q.C.
BGen. Reginald Lewis
John A. MacNaughton
The Hon. J.H. Potts, Q.C.
R. Bredin Stapells, Q.C.
The Hon. A.H. Stark, Q.C.

Officers of the Club

Diana Chant, C.A.
Catherine Charlton
Montague Larkin, C.A.
Harry Seymour

Directors of the Club

Setrak Adourian
Sarah A. Band
Willis L. Blair
Jerry Collins
Carlyle Dunbar
Ronald Goodall, F.C.A.
Lorraine Gotlib, Q.C.
R.F. Gulliford
John D. Herrick
The Very Rev. E.M. Howse
The Hon. D.A. Lang, Q.C.
John P. MacBeth, Q.C.
H. Dennis Madden
Ian D.C. McPhail
Dr. J.A. Parish
The Rev. H.F. Roberts
R.A. Robertson
Margaret Scrivener, M.P.P.
J.A. Wm. Whiteacre, Q.C.

Directors of the Foundation

Fraser Deacon
C. Warren Goldring
Donald G. Neelands

said: "I'm afraid tonight it's very sad that you have not got our old chief Montgomery with you." And at the top of the next page: "As you know he was strung up after the Nuremberg trials."

Stricken with horror, I went to the phone at once, demanding recall of the books and their correction. As far as I know they were all recalled and corrected but for some time I had visions of Montgomery's wrath falling on my head. Such are the perils of being a president.

Apart from the occasional misprint, this club has always stood firm in its loyalty to Canada and to the Crown, now the Queen, who heads the Comonwealth.

... Our country has always been underestimated ...

Canada? Our country has always been underestimated, very often by Canadians, most often by wise men and experts abroad. Voltaire said in 1759 that two great nations were at war spending more on that war than all Canada was worth, Canada being only a few acres of snow. Our people too have been underrated. The German General Bernhardi (the one who said "war is a biological necessity") also said in 1912 that "colonial" troops like ours would never count for anything in the European theatre; they could be ignored. He was wrong. But another German war lord also said – after being routed by the Canadian Corps – that it was the best amateur army in history. He was right.

Some people think that the cradle of liberty was in Virginia or Philadelphia. They are wrong. The idea that free men are entitled to self-government was born in

England centuries ago, an idea so radical that it led to a civil war and a Revolutionary War. But the real cradle of liberty was right here. It was here that self-government linked with loyalty and trust had its beginnings.

... we moved on, not by revolution but by steady evolution ...

From there, we moved on, not by revolution but by steady evolution, to 1840 and 1867 and the charter of 1926 , which declared the Dominions to be "autonomous communities within the British Empire, equal in status, in no way subordinate one to another in any aspect of their domestic or external affairs, though united by a common allegiance to the Crown and freely associated as members of the British Commonwealth of Nations."

The steady evolution continues to this day, when forty-nine nations are proud to have membership in a unique organization. Among us all there have been great successes and great failures, but there is no attempt to achieve uniformity, just as there is no uniformity of opinion among Empire Club speakers. We do not even strive for unity in diversity, because that is not always possible.

What we do value is an association unlike any other in the history of the world with growing understanding and faith in each other. I venture to say that all our partners are proud of their membership, as we are. On our part, we can also be proud of Canada's role in building the British Commonwealth of Nations.

Ladies and gentlemen: I invite you to rise and drink a toast to our Canada and our Commonwealth!

The response was made by William M. Karn, a Past President of the Club.

Toast to the Empire Club of Canada and its Past Presidents

Margaret Scrivener

Madam Chairman, honoured guests and fellow members of the Empire Club of Canada: As always, I am pleased and privileged to join this august gathering assembled for such an important event. I note with pleasure some of my distinguished constituents present this evening. And tonight I am doubly honoured at having been invited to propose the toast to a very distinguished group of members who have served the club well over a period of time – our Past Presidents.

While I feel a considerable humility in undertaking this onerous task, I do so in the security of being able to claim having been the daughter of a Past President. My father, Thomas Henry Howse, fulfilled his term of office in the year 1948-49, long before women could aspire to membership and to the high office you now hold, Madam President.

As well, I could be regarded as having a second qualification. As a member of the Provincial Parliament of Ontario, my identification as a legislator may be considered seemly in terms of the ideals of this club. However, being a legislator can have its bittersweet moments, as witness, on the one hand, the chagrin we at Queen's Park experienced last week when we learned about the Morgentaler decision (apparently it pays to break the law), or the consternation we felt when eleven city councillors refused to vote on a decision to issue a demolition permit to a developer (the taxpayers will pay a $115,000 fine because the councillors flouted that law) and, on the other hand, the heady anticipation and excitement of the Ontario Conservative leadership convention next January.

Several weeks ago, when I was in the process of recruiting a new member for the club, I was asked why he should join the Empire Club and what were the special qualities which set it apart from other luncheon or service groups.

We all know, Madam President, that the Empire Club is "different", but how to convey its special qualities to an outsider? After a moment of thought, I responded that the Empire Club of Canada does indeed have a difference. Far from being a mere luncheon club, it has a very particular ambience of its own created by its style and by its membership, all of whom have been proposed for acceptance by the board by other members. You cannot just "buy" your way into the Empire Club.

> *... the Empire Club of Canada has a very particular ambience of its own created by its style and by its membership ...*

Secondly, the club has very lofty ideals in terms of its ties with the British Crown and the Commonwealth, and as a result, holds a strong belief in and respect for British justice and the common law. As a servant of the Queen, I believe it is exceedingly important that there should be a viable, on-going organization such as the Empire Club providing a constant reminder and challenge to public thinking in this vein. And the rapport the club has always maintained with the Loyal Societies is a further, important extension of this process.

While pursuing this train of thought, I made this further observation to my friend: In an era which has seen the general decorum become increasingly casual, there is now a shift in societal attitudes, a re-statement and a greater emphasis upon simple "good manners". It seems to me that the security of conduct implicit with protocol is undergoing a restoration. We here tonight appreciate that the Empire Club has always maintained a very clear and correct protocol, and it is reassuring to know that the entire style is being "rediscovered". More power to Bud Hoffman!

However, we also know that the Empire Club does not rely solely upon its capacity for finely-executed protocol for its success. Madam President, I think its great success must surely lie with three main attributes.

These are:

1. The quality of the Empire Club leadership, which has been consistently strong throughout the years;

2. Its ability to maintain a great emphasis upon the Crown and the Commonwealth;

3. And the platform it has provided for political thought throughout the years, without the club itself being partisan.

The outward visible sign of the club's success has been reflected in the strength of its memberhsip and in the incredibly high level of speakers it has been able to attract to its podium. Which brings us full circle to my stated purpose at the commencement of these remarks, that is, the toast to our Past Presidents.

All of our Past Presidents have been exceedingly competent speakers in their own right, some of them indeed being markedly superior – considerably more eloquent – than the persons they introduced to rapt audiences week after week. Of course, there have been occasions when an introduction was somewhat, shall we say, fulsome, but that too was a reflection of the scintillating opinion and wit of the President of the day.

And we have all heard tales about the speaker-inspired anxieties that our Presidents have had to endure, when speakers failed to show (every President has a stand-by for just such eventualities), or arrived late for lunch (there have been several such cliff-hangers in recent years), imbibed too much of "the grape" with disporaneously, without any of the "notes" so dear to the heart of those who compile our Empire Club *Yearbook*.

Yes, the agonies and vicissitudes so patiently borne by our Presidents are many, but on the platform *all* present a confident, reassuring countenance which speaks volumes in body-language to our members and their guests.

> *... It has been our good fortune that our Presidents have been possessed of infinite vision and foresight ...*

In closing, ladies and gentlemen, I would say this: It has been our good fortune that our Presidents have been very capable persons, possessed of infinite vision and foresight, as well as the tact and leadership so necessary to an organization of this nature. They have been distinguished persons, not the least of whom is the incumbent, Catherine Charlton, who as the first woman to hold this position brings it grace and charm no man could match. Her predecessors are men we know and respect and love for their great talents and continuing contribution to the purposes of the Empire Club. Their important role as leaders of this esteemed body, the style and standards that they have set, are the ongoing challenge to those who come after them.

Madam President, ladies and gentlemen, I ask you to charge your glasses and join me in drinking a toast to the Past Presidents of the Empire Club of Canada.

Presentation to the Guest of Honour

C.R. Charlton

Your Honour, distinguished Past Presidents, directors and friends: It is the past presidents of this club who are its very essence, and so I am pleased to announce that this year, in consultation with the President of the Foundation, we have created the Past Presidents' Medal. Each past president has received one, and many are wearing them this evening for the beginning of another important club tradition.

When one speaks about Douglas Derry's year, one's tongue inevitably rolls around the syllables "Margaret Thatcher". And what more you may ask need one say about anyone's year? To say "Margaret Thatcher" is to see every past president's eye light up, and the vocal chords quiver in incipient introduction .

But Margaret Thatcher was not the only event in 1983-84; I remind you of these other interesting activities: – of Canada's last remaining father of Confederation, Joseph Smallwood, volubly celebrating our eightieth Anniversary; of the Empire Tea, immortalized by our very own blend of tea; of the Premier of Ontario on the state of the economy, followed by the Japanese Ambassador on the state of relations, followed by the Honourable Michael Pitfield on the state of the state.

And how could one forget Douglas's original style – "terminating" meetings where others merely "adjourn", toasts to "the Queen, Lorraine du Canada", and of course his constant reminders to take out memberships, renew memberships, spousal memberships, life memberships, spousal life memberships ... and on and on...

But lightness aside, Douglas Derry stands alone as the President who computerized the Empire Club's mailing system. This is one of those unsung jobs that take hundreds of hours of time, patience and painstaking attention to detail. Yet this single activity affects every event of the Empire Club and the move to computerize will benefit presidents for years to come.

Thank you, Douglas, for this service and for all the others that go unsung. Thank you for seeing the club through its 1983-84 season, and its eightieth Anniversary, with distinction and with such outward calm.

In recognition of your services to the Empire Club it is my pleasure to present you with this suitably inscribed tray.

Mr. Derry then addressed the meeting.

Head Table

Setrak Adourian
Director of the Club

BGen.
Stephen F. Andrunyk, O.M.M., C.D.
Past President and Director of the Club

Douglas L. Derry, F.C.A.
Past President and Director of the Club

Dennis Flynn
Metro Chairman, Toronto Council

Edward B. Jolliffe, Q.C.
Past President of the Club

William M. Karn
Past President of the Club

MGen. Bruce J. Legge, Q.C.
Past President of the Club

The Rev. Harold Roberts
Director of the Club

Margaret Scrivener, M.P.P.
Director of the Club

Dennis Weatherstone

Chairman of the Executive Committee and
Director, J.P. Morgan and Co. Inc.

INTERNATIONAL FINANCIAL MARKETS AFTER THE U.S. ELECTIONS

November 15, 1984

The President
Catherine R. Charlton, M.A. Chairman

Presentation to Douglas L. Derry, F.C.A.

C.R. Charlton

Honoured guests, ladies and gentlemen: Before introducing our guest speaker, I have a very happy task to perform. This represents an annual event and it is the occasion on which the members of the club recognize the outstanding contributions of the immediate Past President.

Douglas Derry served us well thoughout the 1983-84 season, and it is a pleasure to thank him publicly for his services to the club. Not only did he have an outstanding year of interesting and informative speakers, crowned by the inspiring luncheon for Prime Minister Margaret Thatcher, but he also served the club in many quiet and less noticeable ways.

Not only did Douglas oversee the computerization of the membership lists, which is no mean task with over

2,400 members, but he convinced his partners at Price Waterhouse to assist us, with an essential refurbishing of our previously antiquated office.

The directors and past presidents held a dinner last Tuesday to recognize his welcome contributions to the club. Now it is my pleasure on behalf of all of you to present him with this scroll signed by Governor General Jeanne Sauvé, Honorary President of the Empire Club, in recognition of his services.

Douglas Derry

Madam Chairman, Mr. Weatherstone, distinguished past presidents, ladies and gentlemen: Thank you Madam Chairman for your most kind remarks and for this scroll which I shall always treasure. The honour of having been president of this club is one that I value greatly, though I have to admit, there is an analogy that I recently heard which, when applied to the prospect of becoming president of this club seemed particularly appropriate. It compared the approaching new responsibility to that of a murderer awaiting his execution – as the day approached, it certainly focused the mind to the issue at hand!

But as much as it focuses one's attention to impending peril, it also makes one conscious of the inner workings of this club in a depth of detail that few others have the opportunity to gain. Our members are readily familiar with the quality and abilities of our weekly speakers, such as Mr. Weatherstone, and of course this is essential. But less obvious is the warm welcome that we all receive from the gentlemen at the door of the room each week who in such a genteel manner assist members and their guests to find a table; or the dignity of our reception room before the luncheons, where head table guests gather and have the opportunity to meet the speaker of the day; or the arranging of the head table itself which tests the ingenuity and organizational skills of those responsible.

It is all of these things, when taken together, that make this club Canada's pre-eminent speakers' forum, and I thank you for the privilege for serving as your president.

C.R. Charlton

Honoured guests, ladies and gentlemen: It is probable that a majority of us here have, at some time in our lives, found ourselves agreeing with Ogden Nash, in his "Hymn to the Thing that Makes the Wolf Go":

> O money, money, money.
> I'm not necessarily one of those
> who think thee holy,
> but I often stop to wonder
> how thou canst go out so fast,
> when thou comest in so slowly.

It just might be that our speaker today will give us a clue to this problem.

We are exceptionally fortunate to have Mr. Dennis Weatherstone to address us. We are fortunate for many reasons, including the fact that he has a profound knowledge of the vastly complex global banking world, and the lucidity to talk about it in plain language. When I say "fortunate" I refer to the fact that the so-called "House of Morgan" has a reputation for reserve, and aloofness. As one senior executive said: "We do not blow our horn terribly loudly or widely. We think it is just part of doing our job."

Mr. Weatherstone is now Chairman of the Executive Committee, and a Director of J.P. Morgan and Company, and of its banking subsidiary, Morgan Guaranty Trust. He is rather unique at Morgan's for not graduating from one of America's ivy league universities.

He joined the London, England offices of this elite organization at the age of sixteen in 1947. By what must have been arduous night-time study, he graduated from London's Northwestern Polytechnic College with professional qualifications as a corporate secretary. He is now an Associate of the Institute of Chartered Secretaries and Administrators, and a Fellow of the Institute of Bankers.

J.H. Moore, Director of the Morgan Bank of Canada; Dennis Weatherstone; J. Donald Blevins, Consul General for the United States

While still in London, he became Deputy General Manager of the London office at the age of twenty-nine, and a Vice President a few years later. In 1971 he was assigned to the Bank's headquarters in New York. A year later he became Senior Vice President. In 1980 he assumed the responsibilities of Chairman, along with a directorship.

There is no need for me to describe to this audience, the eminence and solid reputation of J.P. Morgan and Company, nor of its banking subsidiary. It is enough just to recall that as recently as 1982, *Fortune* reported Morgan's core clientele to include the top 150 corporations of the world.

Ladies and gentlemen, Mr. Dennis Weatherstone.

Dennis Weatherstone

I am delighted to be here to address you today, even on so formidable a topic as "International Financial Markets after the U.S. Elections". Let me begin by stating the obvious: if the outcome of the recent U.S. presidential election had been different, there would have been a lot more to say about the international markets "afterward" – at least in terms of cause and effect. As things turned out, financial markets after the elections have to contend with the same policymakers in Washington as they did before. No new wrenches have been thrown into the works: we have simply got the same old wrenches to deal with. Not that these do not involve uncertainties and challenges of their own, which I will return to in a few minutes, but the U.S. election as an event will not figure significantly in my remarks.

Nevertheless, I think it is fair to say that international financial markets after the U.S. elections will change dramatically – not, as I mentioned, because of the election itself, but because of market forces and government policies that have been building for a long time. These forces have already had enormous effects on international markets. The momentum of change is continuing to build, and if anything I expect it to accelerate. Today more than ever, you have to be fast on your feet to succeed in the financial markets. To give you some perspective on why this is true, I would like to talk for a few minutes – and necessarily in broad terms – about what is commonly called the convergence of world financial markets. What is driving this phenomenon? And where is it likely to lead?

At the most basic level, the convergence or integration of world financial markets means that the walls between different countries' markets are tumbling down. And increasingly the walls between sectors of financial markets are crumbling, too. In large part this process of integration is being carried out in the Euromarket – a borderless, globe-spanning financial laboratory whose size now exceeds $2 trillion. It is useful to recall that the Euromarket got started as an alternative to domestic markets that were cluttered with rules and regulations. The lesson of history here is that markets are thoroughly pragmatic: they have a knack for finding efficient ways to do business that make bureaucracy irrelevant.

As the Euromarket expanded, serving first governments and official institutions and then increasingly multinational corporations, a common ground was established on which users and providers of funds, as well as financial intermediaries from around the globe, could meet in a free competitive environment. International investors' preferences could be tested, and borrowers and issuers of securities could compare a multitude of financing alternatives, limited only by the ingenuity – some might say the cheekiness – of their bankers and financial advisers.. As a result, demand could and did develop for financing in a variety of instruments and currencies.

It is fascinating to see how that demand has shifted over time and changed the face of world markets. Once upon a time, financing in the capital markets meant issuing long-term, fixed-rate bonds. Financing from your bank came in the form of short-term advances and medium-term, floating-rate loans. Today, the credit and capital markets often cannot be told apart. In effect what has happened is that all the component parts of financing can be put together in practically infinite combinations – fixed or floating rates, maturities, currency denominations, tax features, and whether or not a piece of paper is involved.

... A swap ... is simply a way to exchange one kind of interest obligation or one currency for another ...

The explosion of financing involving interest rate and currency swaps is a perfect example of this trend. A swap, as financial executives in the audience know, is simply a way to exchange one kind of interest obligation or one currency for another. Using swaps, a company can tap the market that offers a comparative cost advantage even though the firm's immediate need may be for a different instrument or currency from the one which that market provides. In effect, the swap mechanism has made all of the world's financial markets accessible to borrowers and investors at just about any time.

We arranged one of the earliest transactions involving long-date swaps about five years ago for a Canadian company that needed fixed-rate financing in Canadian dollars. By first issuing U.S. dollar bonds in the Euromarket and then swapping them into Canadian dollars, the company was able to raise money at a lower cost than it would have incurred by issuing bonds here at home. Since that deal almost $75 billion of swaps have been transacted. And that is just one example of how demand for different kinds of financing has either blossomed or died. Another, and one that dramatizes how financial intermediaries must adapt in order to survive, is the shift away from syndicated loans as a major source of international financing.

From a peak of more than $133 billion in the volume of Eurocurrency bank credits in 1981, only $74 billion of such credits were arranged last year. In part the peak reflects credits arranged in 1981 to finance a spate of corporate mergers in the United States, and a portion of the decline can be attributed to a reduction in lending to developing country borrowers. But it is nevertheless clear that the world is turning increasingly toward the capital markets to raise money. Innovations have stretched the capital markets' capacity to accommodate preferences for fixed or floating rates or for various currencies, and recently for maturities that have no maturity – the perpetual deal. New instruments have both lowered the cost of borrowing and proved highly attractive to many investors. In the first quarter of this year, for example, the volume of floating rate notes issued surpassed for the first time the amount of announced syndicated bank credits.

Meanwhile, the volume of international bond issues has also shot up. In 1981, for example, $53 billion of bonds were launched. In contrast, volume was nearly $86 billion in the first ten months of 1984 alone. Viewed from another interesting statistical vantage, the volume of Eurocurrency credits issued during the first ten months of this year was only seven per cent greater than the volume of new international bond issues. Just three years ago in 1981, syndicated credit volume was two and a half times that of international bonds.

Commercial banks have had to be fast on their feet, as I suggested earlier, to make up for declining international loan business by getting more involved in the capital markets. Their adaptation is just one example of what is happening everywhere. The constant comparison of financing and investment opportunities worldwide, the innovations and shifts in preference that result, and the capital flows associated with them–all have created pressure for change in financial markets, with a bias toward breaking down conventional barriers and streamlining market operations. Let me highlight some recent developments along these lines in London and Tokyo to illustrate this process.

> *... The City of London's financial institutions evolved in a world centred around the pound sterling ...*

The City of London's financial institutions evolved in a world centred around the pound sterling that has now all but disappeared. The old system that accommodated broker and jobber, clearer and merchant bank in well-appointed niches could not stand up to the international competition that rushed in, especially after the United Kingdom abandoned foreign exchange controls in 1979. As international securities markets have begun to rival domestic markets in profit-making importance at the London houses, competitive pressures have forced a revolution of the old order. In the process, of course, U.K. domestic markets are also being streamlined.

So in London today we have a familiar scenario shaping up. Fixed commissions on the London Stock Exchange are giving way to negotiated commissions. The small firms that the old system supported are combining with U.K. merchant or clearing banks, or foreign partners, to create world-class, well-capitalized competitors for securities business. The development of more active international equity markets is a widely expected consequence of this realignment – in fact, two Canadian companies, Alcan Aluminum and Bell Canada Enterprises, launched deals last year that were characterized as among the first truly international equity issues, sold simultaneously in Canada, Europe, and the United States. At the same time, the London market restructuring will accommodate the Bank of England's revamping of the British gilt or government securities market along North American lines.

... Interest rates ... increasingly are being determined by market forces ...

On the other side of the globe, equally profound changes are taking place in the Japanese capital market – not as quickly as in London, but spurred nonetheless by international capital market developments and by the yen's growing importance as an international currency. Interest rates, for one thing, increasingly are being determined by market forces, rather than set artificially. Earlier this year, the Japanese Ministry of Finance took steps toward opening up the Euroyen market, and is now tackling, among other things, the deregulation of Euroyen bond issues by foreigners. The beginnings of a yen bankers acceptance market are evident. As in London, these measures will also have the effect of liberalizing domestic financial markets.

Taken altogether, the changes I have outlined mean an erosion of barriers to the ready flow of capital around the world. But do not mistake me: I am not yet ready to announce the millenium, because significant obstacles to the development of efficient global financial markets remain. The legally segmented financial systems embodied in the Glass-Steagall Act in the United States, the "four pillars" here in Canada, and similar structures in Japan and elsewhere are the subject for another speech. You must have guessed by now, though, that to my mind they seem counter-productive in converging financial markets. If demand for financing shifts between the credit markets and the capital markets, and if the distinctions between those markets are disappearing anyway, why shouldn't financial institutions diversify their activities to adapt to a changing world?

As you know, many banks pursue securities activities in the Euromarket from which they are barred at home – with happy consequences for their bottom lines. Experience shows that changes like this, which are taking place wherever financial institutions are free to adapt to competitive pressures, do make for more efficient markets. It is going to take a while for regulatory systems in many countries to deregulate, but in my view it is just a matter of time before they too reflect the reality of market integration that I have been discussing today.

I know that the Ontario Securities Commission next week will launch hearings on the capitalization and scope of the securities industry, and we will be watching their progress with keen interest. I might mention that in the financial markets of the future, we expect strong capitalization to become increasingly critical to individual institutions' success and to the stability of the international financial system. The need for increased capital clearly has been a driving force behind the merger of securities firms in the United States, Canada, and more recently in London. The emergence of a strong international securities industry should be one important legacy of the convergence of markets spurred by global competition.

One concern I should mention at this juncture is the need for recognition that there are certain hazards associated with getting involved in unfamiliar business or financial territory. Prudent institutions will put a high priority on understanding and managing the risks associated with innovative financing instruments, which combine features of different markets, as well as the risks associated with new lines of business, whether insurance, futures, or, for that matter, banking.

No financial activity is riskless; banking by its nature involves taking risk. The trick is to recognize the risks and to balance them prudently. Some observers stress the need to strictly regulate increased risks of all kinds. In my experience, however, finely tuned internal controls are the most effective tools for monitoring risk. External regulation has a role to play, but it must go hand in hand with strong internal controls to keep financial institutions and the financial system safe.

I would like to switch gears at this point and talk for the few remaining minutes about the outlook for the U.S. dollar and U.S. interest rates. During the 1970s, U.S. economic policy resulted, among other things, in very low or negative real – inflation-adjusted – interest rates. By 1980, inflation was running at a rate of more than thirteen per cent. All of us, I imagine, recall the flight from the dollar that occurred as investors lost confidence that dollar investments would generate real returns.

Today, in contrast, inflation is low – around four per cent – and real interest rates substantial – about six per cent. Foreign investors obviously are attracted by high U.S. interest rates which reflect, it is interesting to note, U.S. tax policy. Residents of the United States must pay tax on interest income and may deduct interest expense: this means in effect that interest rates are lower for them than for foreigners, and the dollar benefits accordingly.

But there is a more fundamental reason for dollar strength, which has persisted even in the face of large current account and budget deficits, usually considered negative for a currency. The reason is , in a word, confidence – hard to win, easy to lose.

Let us look at it from the market's viewpoint. The U.S. economy has enjoyed a sustained recovery, improved productivity, reduced unemployment, and low inflation, along with a stable political environment. The basic strength and promise of the U.S. economy, compared with other potential investment environments, is the real source of the dollar's strength. Labour mobility and labour's understanding of the need for improvements in competitiveness and profitability are key elements in this picture. The exchange market compares this attitude in the United States with that prevailing in labour markets elsewhere, and its views are reflected in the exchange rate.

All is not rosy on the horizon, however. With the presidential election over, the markets will be looking for the government to take credible steps to reduce the budget deficit. If they do not come, or at least appear to be coming, that hard-won confidence in the U.S. economy could drain away, taking with it capital inflows from abroad. These have helped finance the budget and current account deficits, as well as kept interest rates from being driven even higher. A drain of confidence could also pull down the dollar, possibly in a disorderly fashion.

It is critically important that our domestic fiscal policy recognize this and respond soon. A precipitous decline in the dollar, reflecting a vote of no confidence in U.S. fiscal resolve, could send dollar interest rates skyrocketing, trigger renewed inflation, abort recovery here and in other OECD countries, and deal a severe blow to the export performance of developing countries. This admittedly is a scare scenario. I paint it only to emphasize how important it is – not only for the United States, but for the rest of the world – for the United States to tackle the deficit. The fact that the exchange market is not currently sending out warning signals is no reason for complacency.

Although the Reagan administration has promised action through further budget cuts and growth, prudence dictates some contingency planning for tax increases, too. Obviously, if a major objective is to free more savings for private investment, changes that would encourage saving rather than consumption would be the best route. For the time being, however, the hot-test item on the agenda is the modified flat tax proposal, and we are told not to expect it to generate revenues. We will see.

So where does this leave us in trying to see what is ahead for interest rates and the U.S. dollar? If the markets detect at least an attempt to bring the deficit down, I think interest rates could ease a shade further – or at least consolidate their recent sharp declines at the short end of the market. Such rate levels would likely coincide with an economy that remains sluggish over the next few months – two to three per cent growth. The dollar should hold its strength for a while longer under these conditions. It is, however, a vulnerable strength, and the dollar is likely to scare us all from time to time when tested by bad news.

In spite of the dilemmas and vulnerabilities, I remain basically optimistic. Perhaps it is because U.S. problems at least are identifiable and compared with many other countries' difficulties seem more manageable. At the end of the day – and my remarks – the 1985 soft landing scenario of four per cent growth and four per cent inflation for the United States looks like a pretty good deal. I am prepared to buy it, warts and all.

The appreciation of the audience was expressed by Douglas Derry, Immediate Past President of the Club.

Head Table

Willis L. Blair
Chairman, Liquor Licence Board of Ontario
Director of the Club

J. Donald Blevins
Consul General of the United States of America

William Broadhurst
Senior Partner, Toronto Office, Price Waterhouse, Designate Senior Partner, Price Waterhouse (Canada)

The Rev. Canon Ronald R. Davidson
Rector, Christ Church, Deer Park

Douglas Derry, F.C.A.
Immediate Past President of the Club
Partner, Price Waterhouse

Thomas F. Fleming, Jr.
President, The Morgan Bank of Canada

Lorraine Gotlib, Q.C.
Partner, Kingsmill Jennings
Director of the Club
Past President, Canadian Bar Association of Ontario

Phong Din Ho
Grade 12 student, Western Technical

John H. Moore
Director, The Morgan Bank of Canada

Robert C. Paterson
Executive Vice President, Treasury and Money Markets, The Royal Bank of Canada

Rod McQueen
Author and Journalist

BACKROOMS AND BOARDROOMS: BEHIND CLOSED DOORS

November 22, 1984

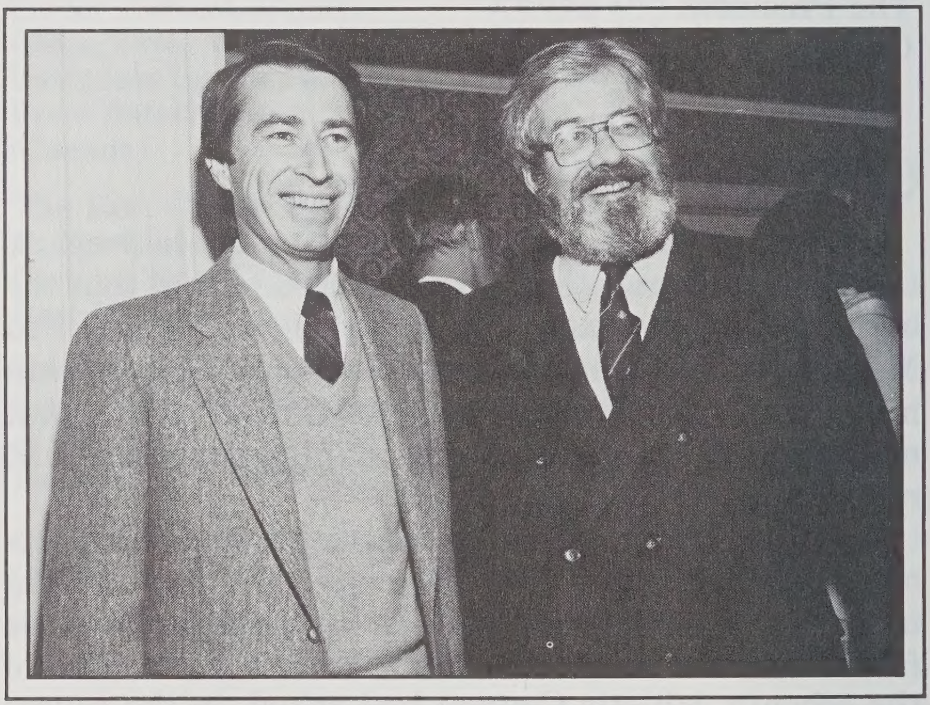
The President
Catherine R. Charlton, M.A. Chairman

C.R. Charlton

Honoured guests, ladies and gentlemen: In preparation for today's meeting, I was pleased to find that the background, motivation, and experience of Mr. Rod McQueen makes almost as interesting reading as what he writes. That is just an example of the pleasures that make being President of this distinguished club so rewarding.

To illustrate what I mean, here are a few of the facts of his life: He admits that the small action of holding up his hand at the right time in high school made his future vocation inevitable. It seems that the director of the school's Athletic Council had asked, in the course of a council meeting, if any student present would like to write a weekly column of high school events for the local paper, the *Guelph Mercury*. Rod's hand went up – and decided the course of his life – more or less. Well, that is the way HE tells it.

This extramural activity not only paid the munificent rate of 9½ cents per column inch, but contributed to his winning the *London Free Press* Editorial Award, which, among other perquisites, paid his tuition fees at the University of Western Ontario for four years. This, in turn, led to his earning an honours degree in English, and to being the managing editor of the *Western Gazette*. On graduation, he joined the editorial staff of Maclean Hunter, editing a variety of business magazines. After three years he answered a newspaper ad which resulted in his spending the next six years in Ottawa, as Press Secretary to Robert Stanfield.



Rod McQueen with the Hon. Mr. Justice Joseph H. Potts, a Past President of the Club

When his Chief retired as leader of the Conservative party in 1976 our speaker, attracted by what he describes as "the exciting character" of its Chief Executive Officer, joined the Bank of Nova Scotia as Director of Public Affairs, a position he held for a few years before returning to journalism. Again, attracted by the achievements of one man (this time Peter Newman), he rejoined Maclean Hunter as the business editor of its major consumer publication, *Maclean's* magazine. Here, under what he describes as the "compelling" influence of Peter Newman, he decided to write a book of his own. The very successful volume, *The Moneyspinners,* about Canadian banks, was the result.

Throughout his whole career, it is obvious that the driving motivation behind his writing and the positions he has held, is his interest in PEOPLE; in the HUMAN side of business and commerce. What he set out to do in *The Moneyspinners* was "to put a human face on the gray stone front of banking institutions".

Ladies and gentlemen, we welcome now the human face of Mr. Rod McQueen.

Rod McQueen

Canadian households and Canadian businesses have just come through tough times. Those who have survived have done so by getting their respective household budgets and corporate balance sheets in order. What Canadians voted for in September was to install a government that would make similar adjustments in Ottawa. The expectations Canadians have of this new government are incredibly high – so high that there are bound to be disappointments. Maybe that should not be surprising. After all, it was J.W. Dafoe of the *Winnipeg Free Press* who once allowed as how there were only two kinds of governments in office – the barely tolerable – and all the rest.

Right now, however, the boardrooms are alive with the sound of singing. Canadians support the Tories to the tune of sixty per cent plus – an even higher level than on election day. In Ottawa, coffee is being poured again in Imperial measure; ambassadors are being recalled from emerging countries; jobs are about to be created in their thousands. A new day has dawned.

Perhaps. These are early days, but those backroom doors are clapped shut even tighter than under the previous regime. We have traded a government that put us in debt for one that keeps us in the dark. Well, let us try to decipher some of the signals to date and see what they mean for our country and for all of us. First, let me spend a minute giving you the capsule history of the Conservative party, just to remind you where these people come from. I will not go back to Confederation, just to the St. Laurent days when the federal Tories under George Drew were the party of privilege, free enterprise and special interests. The populism of John Diefenbaker swept them to power and his pettiness swept them out again. Internecine warfare turned the party into the Typhoid Mary of politics. Anyone who touched them was seized with a disease called swallow the leader.

Dief was dumped and sat sniping on the sidelines. (Just as an aside, you may recognize the old man's stage role has recently been revived for television by another fellow – Pierre Trudeau.) The target of Dief's attacks, of course, was the man for whom I went to Ottawa to work, Robert Stanfield, the man who Richard Gwyn has so aptly described as the best Prime Minister this country never had.

Stanfield was a man of great wit and much wisdom but he could not communicate either of them well enough to suit the Canadian people. Ahh, but he could laugh at himself! In 1980, for example, at one of those regular dinners that Tories hold for themselves at the Albany Club, Stanfield was told at the last minute that he was expected to make some remarks about the guest that evening. He looked at his watch and said: "But I've only got half an hour to prepare. That's barely enough time to organize my pauses."

Next came Joe Clark. For all the disparaging stuff that has been written about Clark – the fact that he was no more than a hiccup at the banquet table of power, no more than an asterisk in the history books – his problems as leader were not in his mannerism or his intelligence or in his ideas as some would have you believe. His difficulties lay in his style of politics, because he had a high noon mentality that simply did not allow him to compromise on any issue. It did not matter whether it was a squabble with colleague Stan Schumacher over what riding they would both run in or whether he was dealing with the Social Credit party the night his government fell in 1979. He would allow situations to go too far, then he would not give his opponents any room to withdraw with honour, to retreat gracefully. His other great failing – and this one is more important than it sounds – is that he too rarely used the telephone. Of all the modern politicians, Clark must be the one who has least used the phone, contacted the fewest party people looking for help, looking for advice, just looking to talk – or listen.

... Clark ... he had a high noon mentality ...

I have taken just a minute to roll these old movies in order to put the current bunch in the context of their predecessors. I think it is clear that Brian Mulroney comes unencumbered by most, perhaps all, of the failings I have just listed. For Mr. Mulroney, this last election has shown him to be a communicator; he can reach the public. The caucus is his. Many were hand-picked by Mulroney or his agents. He has the common touch, knows how to negotiate a deal, has the trust of business – and I daresay of labour as well. And he sure can work those phones, both to massage and be massaged by his party.

Further, like that old warrior to the south, Ronald Reagan, he can tapdance around the toughest question. His first move in office to sweep away the sticky debris of the patronage issue was nothing short of brilliant. By appointing former Ontario NDP leader Stephen Lewis as ambassador to the United Nations, Mr. Mulroney has guaranteed himself clear sailing for the rest of his natural born days. Mr. Mulroney could appoint his mother to the Court of St. James and no one could say him nay. Further, his reconciliation with the premiers is welcome; the signs that backbenchers will become more relevant are encouraging.

And he has brought in business advisers for at least the early days of this administration. It is not a new idea, of course, but it is a good one. Ronald Reagan did it during the early days of his first term. C.D. Howe did it under Mackenzie King during the Second World War. Those were the famous dollar-a-year men who went to Ottawa to aid their country – but those were times of emergency, times of war. Will business be equally interested this time out?

For the most part, during the Trudeau era, business seemed content, in a perverse kind of way, to sit behind their closed doors and sulk about the socialists in

Ottawa – all the while taking full advantage, of course, of the various tax write-offs, depletion allowances, development incentives and other meaty bones that government threw to business. But for all its bad mouthing, business has done very well by government. You do not have to be a socialist to be taken aback by the fact that most of the Canadian banks and life insurance companies, for example, make good profits – but pay no income tax – and have not done so for years.

For all too long, business has been prepared to use – by some definitions, abuse – the system, all the while whining about intervention in their lives. Well, under a Mulroney government, both that intervention may decrease and the freebies may dry up. Certainly the National Energy Program and the Foreign Investment Review Agency have been emasculated – but at this point, those are symbols more to foreign investors than anyone else. Anyone in Canada who has tried in the past to set up business in either the United States or Japan, our two great trading partners, would have seen *regulations.* By comparison, ours were as weak as a kitten's wrist. As a nationalist, I lament the passing of the National Energy Program and the Foreign Investment Review Agency.

> *... Deregulation has not shown demonstrably lower costs or better service ...*

We hear talk, too, of massive deregulation in the United States and how it will spread here. Well, let us approach it with great care. Deregulation has not shown demonstrably lower costs or better service in the United

States. Moreover, we have had a mixed economy in this country at least since 1821 when the government of the day took over the building of the Lachine Canal after private interests floundered. Transportation, communications, high technology, resource exploration, textiles – just about any industry you care to name in this country has a huge government component, either in the form of ownership, grants, tariff protection or regulation.

The Canadian public has come to accept – even expect – a goodly amount of regulation and government involvement in its life. We want and we demand government protection on any number of things from meat inspection through communications guidelines to bank solvency. Any government which backs out of too much of that intertwined relationship with its voters does so only at its own peril and the peril of the country. In Canada, responsible government has taken on wider overtones than the usual definition elsewhere.

At the same time, however, business has an opportunity to come out from behind the closed doors and become involved in public policy. Not just a chance – a duty. They are going to have to leave their mahogany wombs and bring their ideas out into the bright light of the public square. They may not like it, they may not even be very good at it for a while, but the chance for change is there; the opportunity exists for business to become a full and participating partner in planning the direction of this country. Will they do it? Well, as they say at the wedding ceremonies: "Speak now or forever hold your peace."

There are, in fact, some hopeful signs around that business is prepared to come forward with good ideas, well researched, that can benefit all of society – not just the self-interest of business. Let me cite two examples. The first is the Business Council on National Issues. It is composed of the chief executive officers of 150 Canadian companies that employ some two million Canadians. To date, it has shown itself to be a growingly thoughtful group with good ideas on a wide range of issues – competition, parliamentary reform and deficit reduction – among other issues. One of its key achievements was in persuading the government to fund something called the Canadian Labour Market and Productivity Centre. The Centre is a think tank formed in co-operation with the Canadian Labour Congress, a place where business and labour can come together to study economic issues.

... What about the government's own closed doors? ...

A second solid and thoughtful approach is the Corporate Higher Education Foundation. This new organization, being run out of Concordia University, brings together twenty-five from business and twenty-five academics to try to find ways of better preparing university students for the working world, ways to upgrade and update universities and make them more responsive to changing times.

I think that these kinds of approaches are to be applauded. They will certainly be more helpful in the long run than the recent survey by the Canadian Federation of Independent Business. It polled some of its members, extrapolated the results and claimed that there are 170,000 jobs going begging in this country because of unemployment insurance – but the Federation will not say where these 170,000 jobs are.

What about the government's own closed doors? Will public policy be debated in public? Well, let us just look at one small example. Let us call it nannygate. During the election campaign, Mr. Mulroney took it upon himself to say that, as prime minister, he would never have the nanny of his children on the public payroll. So what happens when he becomes PM? The woman who used to be his nanny goes on the staff at 24 Sussex. This arouses suspicion, as well it might. The person in the Privy Council Office who has always answered such questions about staff is suddenly told by a prime ministerial aide not to speak about such matters to the press.

The press, of course, narrow-minded souls that they are, press on. Finally an aide to Mr. Mulroney allows as how while the former nanny *is* on staff, her sole duty is not the children, everybody takes a turn. Someone else points out, however, that when Mr. Mulroney flies with his children this particular person does seem to accompany them all. Finally, presumably for clarification, another aide steps forward with the explanation that – now let me get this right – that while there is no nanny per se, several of the staff, and I quote "interface with the children in a habitual way."

What was it that Will Rogers used to say? He said he did not need a joke writer. "All I do is watch government and report the facts." Well, I, for one, think nannygate is nonsense. I think that the Prime Minister's nanny should be on the public payroll. But why is it that among all the campaign promises – many of which are already a little bent, bedraggled and otherwise the worse for wear, why is it that this one is being supported by the most amazing explanations? As Dief would say if he were here – or if he were Trudeau – they are trying to defend the indefensible.

The soul of Canada will not be scarred by nannygate, but we should all be exorcised by the veils of secrecy that have been visited upon Ottawa. From what deep well springs the current fetish for secrecy, I can only guess. The strategy is being run by Old Velcro Lips himself, Erik Nielsen. My guess is that since he was around in Dief's day, he does not want to see happen to this government what happened to that administration. He does not want ministers disagreeing in public, looking foolish in the early going or talking before policy is decided.

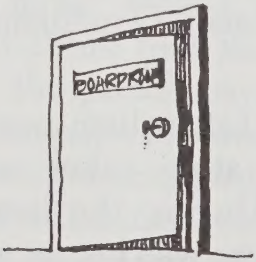
Well, the lid has been on too long. Parliament is now open and the gags must come off. At this point we have the ludicrous situation where 1,000 programs have been identified for review – a worthy job – but the list cannot be revealed even to those who may be involved in the study because it is a cabinet document. Friday, Mr. Mulroney is to reveal the rules under which civil servants can speak with the media. Anything less than full, free and unfettered access is an insult to the public service and the public. Campaign promises of an open government must be kept. In the end, this government, I can only assume, will operate in a less secret way than it does now. But in what direction will it take Canada? Where are we headed? I can see the beginnings of a new national consensus forming and I have some concerns about its possible conclusions if present thinking continues.

The hallmark of Liberalism has long been income redistribution. The state takes what there is and spreads it around. During the last half dozen years, revenues fell and there was not as much to share. That is why we had deficit financing – to pay for all the programs Liberals thought Canadians wanted – and, if truth were known, a few we demanded ourselves, hoping that someone else would pay for them.

Now, the Tories have arrived, ready to do war on the deficit. But at what cost? Along with an end to waste and bad programs, there are severe cutbacks in important cultural areas – the CBC, National Film Board and Canada Council; environmental areas of great concern to Canadians who, as a nation, live close to their land; transfer payments to the provinces are at risk; universality, once a sacred trust, is suddenly under study; immigration is being cut back.

To be sure, not all of those directions may be chosen. There are certainly a few of those roads on which I do not want to travel. But Mr. Mulroney knows that the first six months of any new government set public perceptions of that government for all time. He wants to be a man of action now. That is good, we all want change. But let us remain a caring country where culture is treated with respect, where the borders are open to all, where social programs have no element of charity, where access to education and health services remains broad, where the disadvantaged are given opportunity.

There are things wrong with this country; let us correct them. But there are things right with this country; let us leave them in peace. Canada lost its head over Trudeau; let us not lose our heart under Mulroney.



The appreciation of the audience was expressed by Richard Bennetts, a Director of the Club.

Head Table

Setrak Adourian
President, Adourian's Rug
Galleries Ltd.
Director of the Club

Richard J. Bennetts
President, Mary Kay
Cosmetics Ltd.
Director of the Club

Ronald D. Besse
President, Canada
Publishing Corporation

Archdeacon Robert Dann
Rector, St. Paul's Anglican
Church

The Hon. Robert G. Elgie
Minister of Consumer and
Commercial Relations,
Government of Ontario

James A. Joyce
Chairman of the Board,
Ontario Development
Corporation
Past President of the Club

**The Hon. Mr. Justice
Joseph H. Potts**
Justice of the Supreme
Court of Ontario
Past President of the Club

Lindsay Shaddy
Director of the Club

Helen Sinclair
Director of Public Affairs,
Canadian Bankers
Association

David Willows
Grade 12 student,
Riverdale Collegiate

Maurice R. Greenberg

President and Chief Executive Officer,
American International Group Inc.

PROSPECTS FOR THE NORTH AMERICAN ECONOMY: 1985 AND BEYOND

November 29, 1984

The President
Catherine R. Charlton, M.A. Chairman

C.R. Charlton

Honoured guests, ladies and gentleman: From what I have learned about Maurice Raymond Greenberg, I conclude that the greatest understatement I could make in introducing him would be to say that: “Mr. Greenberg believes in free enterprise”. How could he NOT believe in it? He IS free enterprise; the type of free enterprise that thrives within a civilized, law-abiding democracy. Just a few years ago he received “The Free Enterprise Award” from the Insurance Federation of New York.

He has been referred to as “the toughest guy in Insuranceland,” and he does not deny the Tough Guy image he projects. “I expect people”, he says, “to be prepared.”. “Be Prepared.” But is that not the motto, used world-wide, by the Boy Scouts?

However, tough guy or Boy Scout, as President and Chief Executive Officer he has led the vast American International Group to phenomenal success in the world of insurance. The AIG is the largest American multinational insurance holding company, with more than 250 subsidiaries active in 136 foreign countries and territories.

When he assumed the top position in this giant operation in 1967 he announced a goal which seemed to

Maurice Greenberg with Catherine Charlton some to be overly ambitious at that time – no less than a twenty per cent increase in earnings annually. Since 1970 AIG's earnings have grown at a compound rate of twenty-five per cent annually!

When Maurice Greenberg left high school in the year of Pearl Harbour, to join the U.S. Army, his plans for a career were unformed. When he was demobilized with a captain's rank, his plans were still not firm. But in the interval between the end of World War II and the Korean War, he had earned a law degree from New York University, and had been called to the bar. Recalled to the army, he won the Bronze Star for his service in Korea.

Demobilized again, young Mr. Greenberg started looking for a job, and more or less stumbled into the insurance business. He had wandered into the offices of Continental Casualty Company in New York. His interview with the personnel office upset him so much that he went directly to the senior executive office to protest his treatment. The story goes that he was hired on the spot, and in just eight years became Vice President of the company.

In 1961, at the age of thirty-six, he accepted the presidency of the C.V. Starr Organization and in 1967 moved to AIG as President and Chief Executive Officer, with the dramatic earnings results I have mentioned.

We welcome the man who epitomizes "free enterprise", Mr. Maurice Raymond Greenberg.

Maurice Greenberg

The North American economy is undergoing a transition from an inflation born of the 1960s and carried to excess during the 1970s. The current decade is struggling with an unfortunate legacy of distortions in the financial system, excessive debt, high real interest rates and instability created by falling commodity prices, particularly energy. This struggle will dominate the 1980s and seems certain to serve up some unsettling episodes. If successful, it may also pave the way for a more enduring and non-inflationary prosperity than we have enjoyed in many years.

Runaway inflation was finally brought to heel at the beginning of this decade when interest rates were decontrolled and allowed to seek their own level. The result was a twenty per cent prime rate in the United States which precipitated a liquidity crisis and brought on a rather serious recession. And bitter as this medicine was, it did break inflation's fever. However, by the spring of 1982 recession was in full swing with high unemployment and declining business activity. The Mexican debt crisis that summer served as a catalyst for a change in monetary policy and in the period that followed money and credit grew at a very rapid rate for a brief period. Interest rates declined and the beginning of an economic recovery soon became evident.

That recovery has now entered its third year, and its character has been different from other economic rebounds in the post-war period. The Federal Reserve, fearful of losing its earlier headway against inflation, became restrictive much earlier than in prior cycles. This policy kept interest rates higher than normal during the recovery, and shifted the burden to fiscal measures to strengthen and sustain expansion. To say that fiscal policy these last few years has been excessive is more than a modest understatement. Annual budget deficits on the order of $200 billion were the result, and while they did indeed nurture the economic recovery, they are now creating some alarming side effects.

An expanding economy and the huge budget deficit created an enormous demand for credit in the United States and the combination of high U.S. interest rates and lagging recoveries abroad has brought a flood-tide of foreign capital to the United States which has accommodated a significant portion of our credit needs. But this capital flow has also had a major impact on foreign exchange – the U.S. dollar has appreciated on the order of fifty per cent since 1980. Consequently, economic activity is now being redistributed away from North America in favour of the rest of the world. The U.S. trade deficit has soared and rising imports are now threatening the prosperity of many of our industries. Indeed, the trade deficit is now neutralizing the stimulative impact of the budget deficit.

The 1982-84 economic recovery has lost much of its momentum. Real GNP in the United States was up 10.1 per cent in the first quarter; 7.1 per cent in the second; and a scant 1.9 per cent in the most recent period. Moreover, high interest rates and the strong dollar are now impacting corporate profits which, after a dramatic rise early in the recovery, showed a decline of 7.3 per cent during the most recent quarter. The message from these recent readings of the economy is clear – new policy initiatives are necessary to sustain the economic expansion.

... new policy initiatives are necessary to sustain the economic expansion ...

This brings us to the present and describes conditions facing a new Reagan administration which is attempt-ing to forge appropriate economic policy directions for the period ahead.

What are the most pressing objectives and what are the policy options?

Heading the list of objectives is the need to bring the budget deficit under control. The U.S. government's debt service burden is expanding faster than the economy. This condition must be reversed, and quickly. Delay will only make the solution more difficult and could deny some of the policy options which might now be possible. Progress on this front will require a combination of spending cuts which must encroach upon the "sacred cows". Revenue enhancing tax measures, and incentives to encourage economic growth are needed. Moreover, policy actions on each of these fronts must be taken with a view to what is perhaps an equally important objective – that of avoiding a near-term recession in the United States.

This latter objective is far more important than was the case when President Reagan took office four years ago. Consider, for example, the implications of a near-term recession on the LDC debt problem. A strong U.S. economy has led the global recovery these past few years, but not everyone has enjoyed the rebound equally. While unemployment in the United States went from seven per cent in 1980 to eleven per cent in 1982 and then back to seven per cent or so currently, unemployment in a sampling of other industrialized countries has doubled since the beginning of this decade and has only recently begun to plateau. Most of those who have studied the LDC debt predicament concur that the less developed nations need real economic growth on the order of three to four per cent to have any hope of servicing their onerous debt burdens. Most are export-based economies and are only recently beginning to benefit from the economic rebound in North America. A downturn at this juncture would surely revive the LDC debt crisis whose current tranquillity is fragile at best and is predicated upon both the bankers' willingness to extend new loans and the LDC's ability to service them. This tenuous balance would not likely survive a near-term recession.

Additionally, an early recession in the United States would exacerbate the budget deficit and could easily offset other corrective actions. U.S. industries which are now being hurt by rising imports could be crippled by a downturn in the economy, and the prospect of a recession could also reverse the massive flow of foreign capital making it a great deal more difficult to finance the deficit. Clearly, the implications of a near-term recession in North America are not very pleasant and must be avoided.

... the implications of a near-term recession in North America are not very pleasant and must be avoided ...

One policy option which would serve to reduce the deficit and avoid recession at least in the short run is to lower interest rates. Progress in reducing inflation is perhaps the brightest spot on the current economic landscape, and is affording an opportunity to induce lower interest rates without immediate fear of rising prices. Monetary growth has been contained for most of this year and could be increased without violating the longer term anti-inflation policy.

The Federal Reserve Board's action in cutting the discount rate to eight and a half per cent last week is most encouraging, and may signal further cuts in short-term interest rates in the period just ahead. This trend will hopefully avert a downturn in the U.S. economy, and will buy some, but not much, time to properly address the budget deficit. However, interest rates must also be orchestrated in such a way as to avoid a collapse in the dollar or a loss of credibility in the central bank's resolve to stand up to inflation.

If this is accomplished, the second Reagan administration must seize the opportunity to address the deficit by taking decisive action. The President emphasized spending cuts during his first term and is now armed with a landslide re-election victory and billions of dollars in cost-cutting recommedations from the Grace Commission. It is likely that efforts to control the deficit will again focus on the spending side of the budget. Tax reform and simplification are also on the agenda. But the President has strong feelings against raising taxes and has pledged to do so only as a last resort. Changes in the tax code are coming, and will no doubt provide some measure of revenue enhancement. On balance, however, the President is not likely to alter the pattern established over the past four years, and the success of these efforts is critical to an enduring prosperity.

The legacy of the past two decades has left us with a distorted and threatened financial system and an inherent instability throughout the world. The temptation to address these problems with protectionist measures is rising and is in itself a danger. Our greatest hope is in recognizing these problems, and having the courage and enlightenment to work toward their solution before they reach crisis proportions.

To a large measure economic progress in North America will depend on progress in tearing down barriers to trade. No place is this more important than in services trade. Less than a year ago, your Mr. Regan – Gerald Regan – floated the idea of bilateral sectoral free trade in the areas of steel and urban mass transit equipment. Basically, he proposed an extension of the automotive free trade agreement that has worked so well in recent years. At the same time, Roland Frazee, Chairman of the Royal Bank of Canada, suggested that we try for an agreement on something he called "traded computer services."

... economic progress in North America will depend on progress in tearing down barriers to trade ...

On the U.S. side, there has been progress as well, in the form of the trade bill that Congress passed last month – an unusually liberal document that is all the more remarkable because it came in an election year filled with protectionist rhetoric. From the perspective of services, this bill does three very significant things. First, it opens the way for bilateral and multilateral trade agreements in services and investment. Second, it strengthens the power of the President to impose sanctions on countries that engage in unfair trade practices in services, as well as goods. Third, it mandates needed and long-overdue changes in the way the U.S. government collects and reports service sector data.

Why this focus in both countries on services trade? We – the United States and Canada – are the biggest bilateral trading partnership in the world. Last year, we did more than $120 billion in business. Automotive and transportation trade made up a fourth of the total. Service trade accounted for a fifth. Both our economies are service-driven. Service activities generate about two-thirds of your GNP and two-thirds of ours. Service activities employ 68 out of every 100 Canadians – only slightly less than the U.S. figure of 74 out of every 100 Americans. Services also generate jobs. Over the past decade, the service sector accounted for eight out of ten new jobs in both Canada and the United States. Even in times of recession, service sector employment grew in both our countries – and showed dramatic productivity gains to boot.

But what are services? The modern service sector is not so much fast food and video arcades as it is financial services insurance, brokerage and banking, and professional services such as engineering, law and health care.

In recent years demand for services in many countries has grown faster than goods and commodities. The United States, the world's leading exporter of services, has benefited from this increased demand. Since 1977, U.S. trade in services has grown by sixty-three per cent. As a result, for the three years between 1979 and 1981, the U.S. services trade surplus more than offset our deficit in the merchandise account.

But the service boom is not limited to the United States. Since 1977, Canada's service trade has doubled. By 1982, it represented more than a fifth of your total trade. Many people know that the United States is the world's largest producer and trader in services. Not many know that Canada is the sixth largest producer of services as a percentage of GNP, and ranks fifteenth among the world's services traders. Further, the volume of service transactions in our two countries has been growing at the same rate internationally as domestically. In fact, service trade would have probably outstripped domestic service growth if it were not for protectionist barriers overseas.

Protectionism in services has exploded in recent years, in large part because services have remained outside the multilateral trading system institutionalized in GATT. Barriers to service come in all shapes and sizes. They can be overt such as subsidized loans to national shipping firms and import quotas on foreign films. They can be less obvious – as when government prohibits a foreign accounting firm from using its international name. They can be blatantly protectionist – like the discriminatory and punitive landing fees that some governments impose on foreign air carriers.

Today, thanks to your initiatives and ours, we have an unprecedented opportunity to change this trend. Our joint commitment to liberal trade makes it possible for our two nations to do something that no two nations have ever done – reach a meaningful agreement on trade services.

... Our joint commitment to liberal trade makes it possible for our two nations to ... reach a meaningful agreement on trade services ...

As Mr. Frazee has suggested, traded computer services are a logical and important place to start. Just about every nation has identified the new information technologies as the key to long-term economic growth. But there has been a growing tendency to impose barriers to trade in computer-related goods and services. I also share Mr. Frazee's view that traded computer service is a relatively known quantity in the murky world of services, and that the chances for some kind of workable agreement are better than average.

However, I also believe that such an agreement – precedent-shattering though it may be – is only a beginning in solving the broader and more serious problems that beset trade in services. For this reason, I urge that any negotiations also touch on areas where the issues are more difficult, but where the need for agreement is equally great.

> *... two areas deserve particular attention ... first is the right to market access ... second is the right of foreign firms to receive the same treatment as their domestic competitors ...*

In my view, two areas deserve particular attention. The first is the right to market access. This closely relates to the right of establishment and the impediments to foreign investment. The second is the right of foreign firms to receive the same treatment as their domestic competitors once they enter a market. Infringement on the right of a business to open its doors in a foreign market is the biggest barrier to the growth of a healthy world service economy. In the name of self-interest, any number of countries have adopted a wide range of exclusionary policies. Your government has moved quickly and forcefully to address this issue. We applaud the recent loosening up of the Foreign Investment Review Agency, and its rechristening as Investment Canada. It reflects your goal of closer economic relations with the United States and other nations and a commitment to a more open marketplace.

... governments can discriminate against service businesses in ways that are clearly prohibited ...

The second major problem area is national treatment – the right of foreign businesses to compete in a market on the same basis as local firms. Right now, in the absence of any international agreement, governments can discriminate against service businesses in ways that are clearly prohibited in the agreements that govern trade in goods. For example, consider my own industry, insurance. In many countries foreign insurers must make deposits of assets that are not required of domestic insurers – in institutions that the government specifies. In others, foreign insurers pay taxes on premium income, while domestic companies pay their taxes on profits.

The problem is big and growing. In 1977, one out of every seven U.S. non-bank overseas affiliates faced barriers of one kind or another. Nor is the United States alone. Overseas affiliates from other developed countries face similar obstacles as well. Unless something changes, these barriers can only widen the gulf between rich and poor nations, and add to the frictions that already are straining international relationships in trade.

That is why I urge our two nations to start laying the groundwork for a broader agreement on services. It is fitting that the world's two great trading partners should be the first to conclude such an agreement. The United States has argued in favour of negotiated rules on services for years. Future economic growth between our countries, and indeed the world, will in great part be fueled by service economies. We need international rules now.

The appreciation of the audience was expressed by Col. R.H. Hilborn, a Past President of the Club.

Head Table

Kenneth Clarke
Member, International
Advisory Board, AIG Inc.
Director, International
Business Council
of Canada

Gerold Devlin
Executive Vice President,
Canadian Life and Health
Insurance Assoc.

Ken Eliott
President, Tomenson,
Sanders, Whitehead Ltd,

Rev. Dr. James Evans
Minister, St. Andrew's
Presbyterian Church

Cedric Giles
Chairman & Chief
Executive Officer, Reed
Stenhouse Ltd.

Col. R.H. Hilborn,
M.V.O.,M.B.E., C.D.
Equerry to Elizabeth
the Queen Mother
Past President of the Club

Ingrid Mosak
President, Accounting
Students Assoc.,
University of Waterloo

Chris Rhind
President, Insurance
Institute of Canada

Robert A. Robertson
General Manager, Food &
Household Cleaning
Products Division, Procter
and Gamble Inc.,
Director of the Club

Jean Robitaille
Chairman, Insurance
Bureau of Canada
President & Chief
Executive Officer, Royal
Insurance Corp. of Canada

Diane Schwartz
Vice President, Marketing
Development, Manufacturers Life Insurance Co.

Gordon G. Steele, M. Com.
President, Bayridge
Corporation Ltd.
Director of the Club

Murray Thompson
Superintendent of
Insurance of Ontario

David Suzuki
Broadcaster and Author

THE RUNAWAY BRAIN

December 6, 1984

The President
Catherine R. Charlton, M.A. Chairman

C.R. Charlton

Honoured guests, ladies and gentlemen: Most of us feel that we know our speaker, David Suzuki. The reason is television. You may read articles by people and hear them on radio, but you do not get the same feeling of acquaintanceship, of having met them before, that television gives you. Given this acquaintanceship, I will just offer some background detail.

He was born in Vancouver, the only son among three sisters, to a Japanese-Canadian family. Inevitably, as he reports, "the sun rose and set on me." Being a very traditional family, however, there was considerable pressure on the only son to go out into the world and be a success. As a result, at a very early age he learned to do whatever he did to the utmost limit of his energy and ability. His father used to warn him, "David you have to be ten times better than a white, because if you are just as good as a white, you'll lose out every time." He gives great credit to his family, particularly to his father, for his highly successful career. His father would take him on fishing trips and walks. "We would just look at the birds, the animals and the trees," Dr. Suzuki reports, "and I would just ask questions. My father would identify everything and tell me stories about them."

When David was five years old World War II broke out. The family spent four years in a concentration camp and when the war ended the Suzuki family, now with no economic stake in British Columbia, moved to Ontario to start life over again. David began his formal education in a one-room school near Windsor. He took up the hobby of collecting insects and arranging them in proper entomological order. Then the family moved to London where David attended high school, distinguishing himself by being elected school president. He earned his first degree at Amherst College in Massachusetts, then a Ph.D. at the University of Chicago. He rounded off his education by spending a few years doing post-doctoral research in some of the best known natural science laboratories in the United States, including the Biology Division of Oak Ridges National Laboratory in Tennessee, a lab which if I recall correctly was not unassociated with the atomic bomb.

Perhaps I have spent a disproportionate amount of time on Dr. Suzuki's youth. I did so because it so accurately forecasted his adult career, his love of natural science, his drive to excel in everything he did, and his marvellous ability to popularize science for the layman. Since 1962 Dr. Suzuki has taught at the university level, first in Alberta, then for twenty years at the University of British Columbia where since 1979 he has been Senior Professor in the Science Department. Through newspapers, magazines, radio and more than a dozen programs on television he has fascinated readers, listeners and viewers by explaining to them some of the marvels of science. He has been active in the Civil Rights movement and is a founding member of Scientists for Social Responsibility. Many honours and awards have been his over the years, and these are richly deserved.

Ladies and gentlemen, it is a pleasure to introduce Dr. David Suzuki.

Dr. David Suzuki; Dr. James Parish, Director; Dr. Geoffrey Barker, Director of Intensive Care Unit, Hospital for Sick Children, and the doctor who operated on the Siamese twins, 1984

David Suzuki

I am afraid I cannot possibly live up to an introduction like that. I am amazed anyone knows that I was an insect collector when I was young. When I received the invitation to address the Empire Club, I was immediately reminded of my boyhood in Leamington, Ontario after we left British Columbia. I had a very good pal there who wanted me to join a club that he belonged to called the "Sons of England." And I remember my father being humiliated when the local butcher asked him "are you sure there isn't anyone in your family with a close tie to England somewhere?"

The Empire Club strikes me with that same kind of dissonance. Nevertheless I am very happy to be here and believe me this is the only place that would ever get me dressed in a suit like this. The title for my talk today is "The Runaway Brain." At the time that I was contacted, we thought this would be the title of a series to go to air beginning February 6 – a series of eight one-hour shows. Unfortunately, in the interim, the title of the series has changed from "The Runaway Brain" to "A Planet for the Taking". At that time I thought I would talk about some of the issues that we will be raising in this, what I hope will be provocative and exciting look at our relationship with the environment. But I chose instead to change the title to something a little more directly related to our concerns – to the concerns of the people here – so with your indulgence then, I will modify the content of my talk.

First I would like to pose the question that an anthropologist from China or Russia might pose coming to this country.

What is this country called Canada? How do the people in this country see themselves? What do they perceive as their priorities?

Now if I were an anthropologist coming here from a different country, probably the quickest way to get an idea of what the people think is of importance to them

– how they identify themselves – would be to read the daily newspapers and to watch the television news every night. I think within a few weeks you would get a very clear idea of what the Canadian priorities are. They are concern with Quebec nationalism, with Western alienation, with unemployment, with inflation, and at one time with the Pope's visit, the Queen's visit, how well we did in the Olympics, whether Wayne Gretzky is going to win the scoring title – these are the kinds of issues we spend an enormous amount of time in the media discussing; clearly these are important issues for Canadians.

I would suggest that it is a very strange fact that our preoccupation with these kinds of issues, totally misses the fact that none of these issues is of much importance in the long term for the survival or the viability of this country and culture. None of these issues in a long-term sense will matter very much. We have spent enormous amounts of time in the media with "who will be the new leader of the Conservatives or the Liberals?" I am sure that within five years no one, or very few of us, will remember even who the major contenders for the title were; and that in ten or fifteen years names like Clark and Mulroney and even Trudeau will not be very significant in terms of the nature of the society we live in at that time.

The fact is that the most powerful force shaping our life today is none of those issues – it is **Science**. Science when applied by industry, medicine and the military is by far the most explosive force that influences our lives today, and yet to look at the media you would get no impression that this was the case. Now you might as business people, lawyers, professional people, think that I am making an outrageous claim; that I am a scientist and all I am trying to do is to impress you with how important science is so I will get a larger grant and so on. I see someone nodding very vigorously there, and I hope you are not in charge of grants!

> *... all I am trying to do is to impress you with how important science is ...*

Let me try to illustrate why I feel very strongly that my claim is true. When I was the age of my five-year old daughter, my mother and father never worried that I was watching too much television as I do about my five-year old daughter. When I was five years old there was no television anywhere in the world. When I was five years old my mother and father would not let me go swimming in public pools or go to movies in the summer because they were afraid I would get polio. Most youngsters today do not know what polio is. When I was five years old hundreds of thousands of people every year died on this planet from smallpox, and many times that number were horribly scarred for life. There has not been a case of smallpox on the entire planet for five years. It is considered extinct. When I was five years old there were no computers, there were no oral contraceptives, there were no tranquillizers, there were no satellites, there were no jets, there were no nuclear bombs or nuclear plants, there were no plastics, there were no antibiotics. At that time there were no organ transplants; we did not know how many chromosomes human beings have, what D.N.A. was or what it did; we did not know the cause of sex or Down's Syndrome; we had no amniocentesis – all of these things have become a part of our daily lives within my lifetime, and each of these has totally changed the nature not only of our society but the way that we look at ourselves and define ourselves as human beings.

I do a lot of talking to youngsters in schools – and when I tell them what life was like when I grew up they stare at me in total astonishment, and the first question they invariably ask is "what did you do?" To a youngster today a world devoid of television is inconceivable, an ancient civilization long extinct; and they are absolutely right. That world is gone forever and we will never recover a time like that. Our world has been changed dramatically by these and many, many other discoveries and inventions within my lifetime. We are already almost through the watershed year of 1984. At the end of this year we will be sixteen years from the year 2000. Our children will spend the bulk of their lives – my children will spend all of their adult lives – in the twenty-first century. And we can only barely imagine the kind of things that they will take for granted in their lives. I am absolutely sure that my daughters will take it for granted that if they want to travel in outer space they will; if they want to live permanently in giant space colonies or in colonies on the moon (they may mine the moon for satellites) that they will be able to do so; that they will be able to talk to machines far more intelligent than they are; that they will be able to re-grow new organs or limbs when they

> *... I am absolutely sure that my daughters will take it for granted that if they want to travel in outer space they will ...*

are cut off or clone themselves; they will be able not only to predict but to control weather, earthquakes and floods; that they will live in a world with many, many more powerful drugs and weapons; that they will live in a world far different from that we take for granted today.

So I will ask the man who is shaking his head vigorously – "Do you feel that I have supported my contention that **science** by far is the most powerful force shaping our lives, and are you convinced?" It is a very strange fact then that we live in this world so powerfully affected by science when it is applied through industry, medicine, technology – and yet we are totally unaware of this reality. We have evolved as a country with many paradoxes. We see ourselves as a technologically advanced country, and yet try going home to look at the labels from the clothes you wear, to your television set, to your dishwasher, to your refrigerator, to your car, to all of your digital equipment, and tell me where they were produced and manufactured. By far the majority of them were not made in this country.

We are not an industrialized or a highly technologically advanced country at all. We are a Third World country. We are a country that basically lives by selling its raw resources and buying our technology back, and to think that we belong in the category with the European nations or with the United States I think is simply fooling ourselves. But we have this fundamental failure to perceive that reality. If we go out and do what we in the media call "streeters" (person on the street interviews), and you ask people "excuse me do you feel that science affects you in your daily life?" – the shocking fact is that the overwhelming majority of people will say no, not really. We do not perceive ourselves as living with that reality. This ignorance of the impact of science and technology is exacerbated by the school system which tends in the the lower schools to be geared to the small number of students who will eventually graduate and go on to university and science. For most students in our schools science is a total turn-off. It is what they drop out of as soon as they can. The great bulk of our high school graduates cannot name the major organs in their bodies, cannot tell you where they are located or what they do. And if they know so little about their own bodies, you can only imagine how little they know about the world around them. Our school system is failing in a fundamental way.

This preamble, rather a long preamble, is all by way of introduction or explanation as to why I, as a scientist, have been involved for the last twenty-three years of my life in this vulgar medium of television and also radio – why I feel that it is very important that we use the media to try to inform the public about these important forces that are shaping their lives. Today, although the public is uninformed as to what science is doing and how it affects them, the role of the scientist in society is a very special one. I believe that scientists have replaced the religious leaders of the nineteenth century as a people who now dispense truth. Scientists are the high priests of society and we look to them to give us the ultimate verification. Unfortunately it is generally whether this rectal suppository or underarm deodorant is better than another – but if a scientist comes on air and says four out of five tests show such and such, that is the ultimate ring of truth. Scientists then are the people to whom we look to provide us with truth, and I believe as a society the way that we understand sicence is so naïve that we make a lot of assumptions that are simply not true. And I would like to look at those assumptions for the rest of my talk.

We make these assumptions, and I believe only exacerbate our problem of dealing with science in a wise way. We believe, for example, as a society that what science does is to seek the absolute truth. We are trying to find the way things really are, and I will show you in a minute that is not true. We believe that science by virtue of it replicability – I can do an experiment here in Toronto, it can be repeated in Russia or in Japan or in China, and it can be repeated over the years – the replicability in other places and time is an indication that science is value free. If a Chinese scientist can reproduce what I get, obviously we come out with the same conclusions. Science is value free. That is a basic assumption we make. It is simply not true.

> *... Science is value free. That is a basic assumption we make. It is simply not true ...*

We believe also that science, when it is applied by industry, medicine and the military – can lead to problems such as pollution and other problems associated with technology. We believe we can shut it off. If we find that the technology is too troublesome, we can always withdraw it and stop. This is another assumption which I think is absolutely incorrect.

Finally, it is a fundamental act of faith on the part of scientists and citizens that we create technology through our scientific insight and invention. We create it, we control it – technology in fact is our servant and we are its masters – and I would suggest again that this assumption is simply not true. Let me then deal with each of these four assumptions to try to show you why I think we as a society have got to look at these issues much more carefully.

Science is in the business of seeking truth. Most young science students today believe this, that we are in the business of finding out what nature and the cosmos is really like. Well, if you had asked people that before they discovered atomic radiation or radioisotopes or the fact of x-rays, they would have believed that they had the latest picture on what the universe and the cosmos is all about. They would have believed that this is the ultimate picture of matter and energy, and of course then they discovered radioactivity and radiation and other phenomena that had not been imagined before.

Science is not in fact in the business of finding absolute truth. What science does is try to explain the disparate number of facts or observations, try to put these into some meaningful framework or context, within which you can carry out further experiments. In fact what science is in the business of doing is showing that your latest ideas of the way the world is are wrong. Science is constantly modifying, changing or throwing out ideas. When I graduated as a fully licensed geneticist in 1961, I believed that we really had the inside track on what chromosomes really were like, and now when I look back at the models that we had and all of the excitement that we had when these papers were being published, we simply have to laugh and say "my God how could we possibly have believed that in light of what we know today".

That is the nature of science, and its great strength is that we do not find absolute truth – science is constantly changing its ideas, is constantly modifying and throwing out. So we must get over the idea that what science does is to provide the ultimate reality or truth

– it does not. Is it not true that science is value free? We are finding out about the world objectively, free of any kind of bias or limitations in the way we look at the world. Data are data, this is true – a piece of information obtained in an experiment in Russia or China or the United States or Canada is the same if the experiments are replicated faithfully. But the fact is that data by themselves are of no value. One has to ask questions within which, or that formulate how we do an experiment to get those data. Then we have to read the data as they come out and interpret them, and all of those – the way we carried out the experiment and the interpretation – are very, very laden with our own cultural blinders, our own limitations and bias. Let me give you a couple of examples.

In the nineteenth century one of the great scientists of all time was a man named Charles Darwin. Charles Darwin was born at a time when there was still a great deal of slavery in the world, when it was accepted that the white races were the superior races, when colonialism and imperialism where still rampant, when there was a great deal of commitment to mercantilism and the whole free enterprise exploitation of more primitive peoples. And it was within that context that Darwin made his great discovery – that organisms are not static creatures, that they change over time, that we evolve through natural selection. But Darwin's interpretation of his theory was set within a framework that he solved through his own cultural biases. He saw nature and its evolution as read in tooth and claw. He saw evolution as a constant struggle, as a battle for survival, and the dominance of the superior individual or the survivor. That was all seen as a legitimate reflection on nature which was, of course, a reflection of what his society saw as reality. Today many evolutionists say that is one way of looking at evolution, but there are other ways of interpreting this process.

We can say that creatures evolve through interaction and mutualism of co-operation. If you look at a great eco-system like a choral community you find a very complex community of individuals which co-operate together and work together in mutualism, or what we call symbiosis. But Darwin was a person of his time and had to see nature as read in tooth and claw and struggling for dominance, and of course it fit very well into that particular climate.

Let me give you something a little closer to home, in the twentieth century. Early in the twentieth century people were very keen on understanding how the brain worked and how it correlated with our intellectual abilities. And at one time it was believed that one's intellectual prowess was really a direct reflection of the size of the brain.

... And at one time it was believed that one's intellectual prowess was really a direct reflection of the size of the brain ...

So scientists spent a great deal of time taking skulls and filling them full of lead b.b.'s and then pouring them out and weighing the b.b.'s or counting the b.b.'s to get an idea what the cranial capacity of people was. And sure enough they discovered that black people had smaller brains than white people, and that women had smaller brains than men; and it fell exactly as it was expected. Then someone made the discovery that, in fact, there is no clear correlation between brain size and intelligence. Then phrenology became all the rage – when you feel the bumps on the skull, and of course those bumps were reflections of the structure of the brain underneath, and there were certain parts of the brain that were associated with intellectual ability and one of those parts was identified early this century.

So anatomists began to look at pickled brains and to measure them and write down the numbers and sure enough they found that blacks had smaller parts of the brain that correlated with intelligence, and women had smaller sections than men. Then it was discovered that that area had nothing to do with intelligence, and scientists went back again and re-measured those same brains and found there were no statistically significant differences. So you have to say, "What's going on? Why the differences?" The fact is that we, scientists, are human beings first and foremost. We are what we are through our culture and our own personal experiences and genetic limitations and we will have blinders; therefore one must get over the idea that science is a culture free activity. It is no more culture free than any other activity.

I think we must get over the idea that we can shut technology down. The more powerful the technology is, the more useful it is, the more convenient it is, and once you have a technology in place the idea that you can ever do it the old way is ludicrous. There are people who call themselves Neo-Luddites – you remember the Luddites were people that wanted to destroy the machines during the Industrial Revolution. It is foolish to talk about getting rid of the technology. Once the technology is in place you are stuck with it, and the history of science and technology is that you go onward from there – you cannot just say computers are dangerous and turn them off and not use them anymore. You must go forward. So let us not make that assumption that we can always eliminate technology if it is troublesome.

I would like to spend the rest of my time on the question – "Since we create technology, we tell technology what to do – we are ultimately its master." That is the assumption that has always comforted many people, but I would suggest that it is simply no longer valid to make that assumption. First of all, the great bulk of all scientists carry out work today around the world for the military. Most scientific research is for destructive purposes.

> *... Most scientific research is for destructive purposes ...*

The overwhelming majority of the remainder of the scientific community carry out research for private industry for profit. So destruction and profit are the two primary motivations in the application of science. The lag time between a discovery and its application today is very, very short. Often it is measured in a matter of weeks or months. When a discovery is made, someone is going to find a way to make a new weapon or to make a million bucks on it. Now that means then that the public rarely has access to new discovery before that discovery is applied. Scientists working for the military or for private industry are very quick to make a new weapon, or to make a profit from it.

It has always been the assumption in a democracy that we elect politicians to look out for our interests; that they are our representatives who will ask the question, "Hey, wait a minute, before you make the new weapon or a million bucks, what's going to be the effect on people or the long-term impact on the environment?" And the problem that we face from that standpoint is that if you look at the nature of our elected representatives (at their background), you find a rather shocking thing. Eighty to ninety per cent of our M.P.'s – and I do not think it is any different at the provincial or the municipal level – come from two areas of professions in society. They are business people and they are lawyers.

... A few years ago we did a test on fifty M.P.'s and gave them a simple text for their comprehension of science, terms and ideas ... They simply had no idea ...

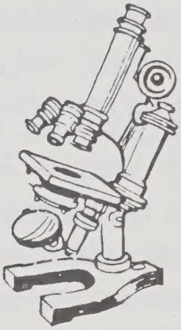
A few years ago we did a test on fifty M.P.'s and gave them a simple text for their comprehension of science, terms and ideas. I see some people smiling – you have heard this line before. And the fact is, that lawyers and businessmen came out absolutely rock bottom. They simply had no idea what the most elementary terms and concepts were. Now these are people who are going to make decisions that will affect society long after they are gone, that will affect us into the twenty-first century! They are going to have to make decisions about the future of Canada's medical care, about the future of satellite communications, about our forests, about our fisheries, about pollution, about the impact of computers in the workplace, about whether to go for fusion vs. vision, about our Candu reactor – all of these are issues that require a considerable understanding of science and technology. And the people we elect to look after or consider these are simply not competent to make judgements that have a scientific or technological base!

I believe that we are a society that thinks we are in control of our own destiny, that thinks our representatives are looking out for us. But that simply is not so because our elected representatives are scientifically illiterate, and there is such a short lag-time between discovery and application of new technology that we do not have time to really assess it before it is already applied.

Let me finally conclude with an indication that we already have a technology that is so powerful and so fast that it is literally out of human control. We have already in fact the technology that is beyond the human scale to control it – our nuclear weapons. It has nothing to do with the number of weapons and the delivery systems, it has to do with the fact that we have six minutes from the time a weapon is launched to the time it lands, and no human being can respond to the knowledge that the fate of the world hangs in the balance in six minutes. And from what I understand, having read the literature, we have giant super computers that take in all of the information from our spy satellites, that feed the information about where the weapons are going, where they will land, what the destructive power is, and give us a list of possible options to react within six minutes from the time those missiles are launched. And I believe that since that six-minute window is very short, the number of options will decrease very quickly till you get down to a time when the computer says, "You must fire your weapons now. If you don't, forget it."

Since I do not believe that any human being can respond within the six-minute time span in any rational way – a computer must be programmed so that when it gets down to one option it must fire on its own. I would suggest that here we have the technology that is literally out of human control.

Science is the most powerful force shaping our lives today. If we as a people are to deal with that in any kind of enlightened wise way, we had better become more conversant with science – each and every one of us.



The appreciation of the audience was expressed by Dr. Harold Cranfield, a Past President of the Club.

Head Table

Charles F. Baird
Chairman and Chief Executive Officer, Inco Ltd.

Dr. Geoffrey A. Barker
Director of Intensive Care Unit, Hospital for Sick Children

Joanna Barlas
Gd. 12 student, Northern Secondary School

Dr. Donald A. Chant
Chairman and President, Ontario Waste Management Corporation

Dr. Harold V. Cranfield
Past President of the Club

Robert Fulford
Editor, *Saturday Night* magazine

Hugh Gauntlett
Head of Art, Music and Science, Canadian Broadcasting Corporation, English Television Network

Nona Macdonald
Public Relations Manager, University of Toronto
Director of the Club

Dr. James A. Parish
Director of the Club

Annabelle Slight
Editor Director, Greey-Der Bencier; President, Young Naturalists' Foundation

Dr. Betty Steiner
Psychiatrist-in-Charge, Gender Identity Clinic, Clarke Institute
Associate Professor, Dept. of Psychiatry, University of Toronto

The Rev.
Dr. Graham Tucker
Chaplain of the King-Bay Chaplaincy

Dr. Tuzo B. Wilson
Director General of the Ontario Science Centre
Chancellor of York University

Catherine Charlton; Mrs. Jane Aird; The Hon. John B. Aird, Lieutenant Governor of Ontario

Piping in the pudding, led by Adriano Ferreira, Convention Floor Manager with Pipe Major Ross Stuart.

The Hon. John B. Aird, O.C., QC., B.A., LL.D.
Lieutenant Governor of Ontario

CHRISTMAS LUNCHEON

December 13, 1984

The President
Catherine R. Charlton, M.A. Chairman

Special Performance by the Toronto Mendelssohn Youth Choir

Robert Cooper	Director
Kimberly Barber	Mezzosoprano, Soloist

Program

Wassail Song	Vaughan Williams
Good Bless the Master	Vaughan Williams
Sir Christmas	Williams Mathias
Carol of the Bells	M. Leontovich
Away In a Manger	Arr. Elmer Iseler
O Come All Ye Faithful	Carol
Hark the Herald	Carol

C.R. Charlton

Your Honour, members and friends of the Empire Club of Canada. It is the presence of the Crown, as represented by the Honourable John Black Aird that distinguishes this occasion. It is my great pleasure to invite him to bring greetings from Her Majesty.

The Hon. Mr. Aird

Thank you very much Madam President, Madam Treasurer of the Law Society, distinguished guests of the head table and friends one and all. I come here today with a special feeling of pride because Jane is here with me.

It is with the greatest of pride that I come here today as Her Majesty's representative. When I say that I bring you greetings for Christmas and for 1985, I think that most of us are feeling a little bit better about the way things are in our country these days. I feel that it has to do with a spirit that is increasingly abroad, namely that of giving more to others, and thinking more about others than about ourselves, not only at home, but abroad.

When I come to this happiest, in my view, of the Christmas celebrations that are held here in Toronto, may I say that I look across the room and see that magnificent young choir, and this is the sort of thing that makes Ontario tick – it makes Canada tick. These young people come with devotion and dedication and with beauty. When I salute the Empire Club today, which I do with great sincerity and with a feeling of appreciation of what this club has meant, not only to Toronto but to this country over the years, I want you to know that it is in the deepest fullness of my heart that I salute you on behalf of Her Majesty – Our Queen.

C.R. Charlton

Thank you, your Honour.

Your Honour, Mrs. Aird, ladies and gentlemen: I know that you are looking forward to the wonderful music of the Toronto Mendelssohn Youth Choir so my introductory remarks will be as brief as possible.

First and foremost, the choir is led by Mr. Robert Cooper, who was appointed conductor in 1978. Mr. Cooper has distinguished himself in the field of choral music. In addition to the Toronto Mendelssohn Youth Choir, he is the director of the acclaimed Opera in Concert Chorus, and teaches choral conducting at the Faculty of Music, University of Toronto.

The choir itself, established in 1977, comprises seventy talented and enthusiastic young people, many of whom are students at the high school and university level. Singing with the choir today is Miss Kimberly Barber, an outstanding young mezzosoprano who studies at the Canadian Opera School and sings with the Canadian Opera Chorus.

Ladies and gentlemen, we anticipate with pleasure this concert by the Toronto Mendelssohn Youth Choir under the direction of Mr. Robert Cooper, with Miss Kimberly Barber.

The appreciation of the audience was expressed by MGen. Bruce J. Legge, Q.C., a Past President of the Club.

Head Table

Jane Aird
The gracious and constant partner of Ontario's Lieutenant Governor

The Rev. Harry Amey
Protestant Chaplain at Providence Villa

James Berry
President, Colio Wines

Harry Bittner
Assistant Catering Manager, Royal York Hotel

Elsie Blair
A member of Volunteer Services for 23 years, East General Hospital

Willis L. Blair
Chairman, Liquor Licence Board of Ontario
Interim Secretary of the Club

Diana Chant, C.A.
Treasurer of the Club

Peter Chant, C.A.
Chartered Accountant, Touche Ross

Douglas Derry, F.C.A.
Partner, Price Waterhouse
Immediate Past President of the Club

Margaret Beardmore Larkin
Agronomist, Ontario Ministry of Agriculture and Food

Montague Larkin, C.A.
Representative, Bache Securities
Second Vice President of the Club

MGen. Bruce J. Legge, Q,C,
Partner, Legge and Legge
Past President of the Club
President, The Empire Club Foundation

Laura Legge, Q.C.
Partner, Legge and Legge
Treasurer, Law Society of Upper Canada

Kelly Meighen
Director, Wellesley Hospital

Michael Meighen, Q.C.
Partner, McMaster and Meighen
Vice President of the Club

Harry Seymour
President, Dominion Securities Pitfield Ltd.
First Vice President of the Club

Lillian Seymour
Chairman, Reproduction Shop, The Art Gallery of Ontario

Joe Schlesinger
Washington Correspondent

THE WASHINGTON VIEW

January 10, 1985

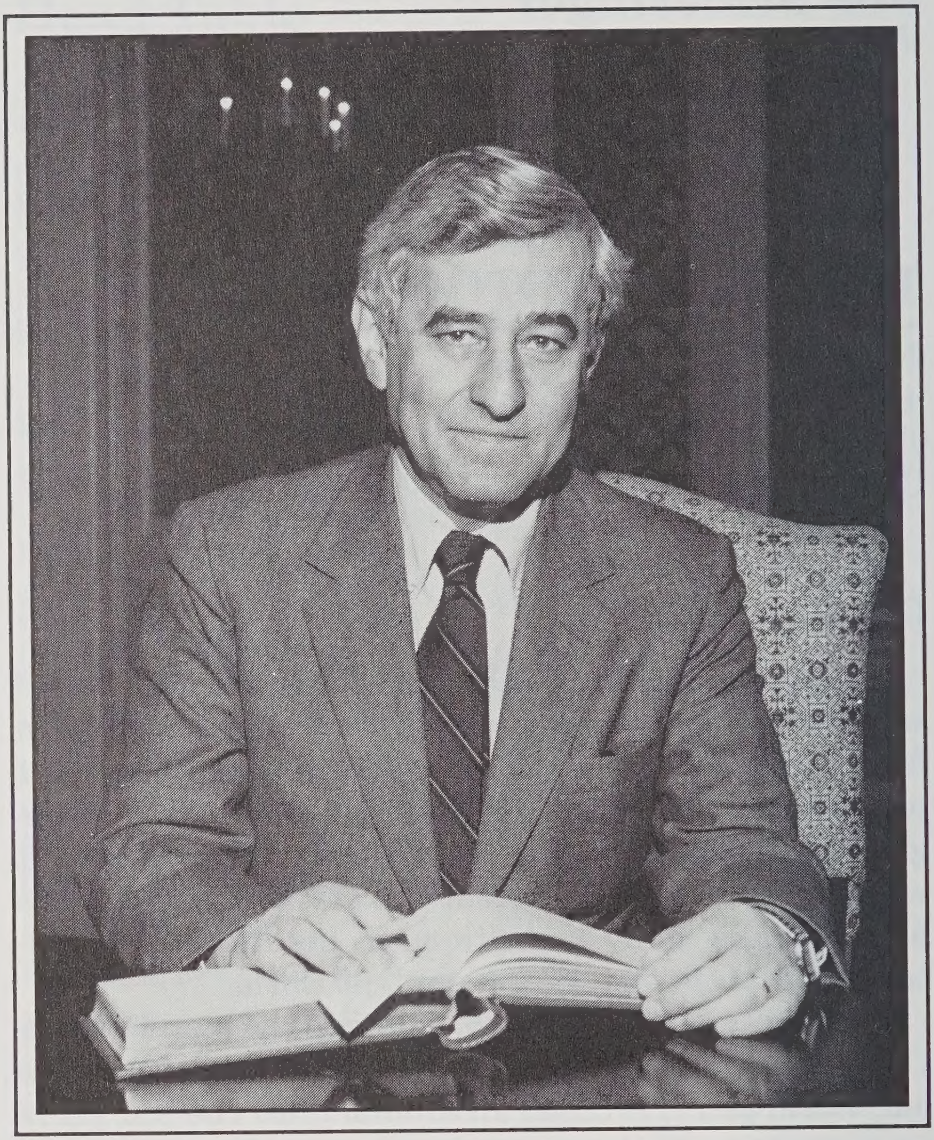
The President
Catherine R. Charlton, M.A. Chairman

C.R. Charlton

Honoured guests, ladies and gentlemen: It would seem to me that, for a journalist, making a transition from the printed word to the spoken, from newspaper to television, must be a difficult thing to do. The distinguished journalist on my right seems to have made it with apparent ease and great success. But then, he has had to make many transitions in his life following a turbulent profession in a turbulent world.

Born in Vienna in 1928, Joe Schlesinger lived in Czechoslovakia until, when he was just eleven years old, World War II erupted all around him. The war years were spent in Britain with his family. On what some cynic has termed "the outbreak of peace" in 1945, he returned to Czechoslovakia.

He began his journalistic career in the Prague bureau of the Associated Press. When Russia invaded his native country, he again was forced to flee – this time to Canada, where he arrived in 1950. He worked at various jobs in Vancouver; attended the University



Joe Schlesinger

of British Columbia; became a reporter for the *Vancouver Province,* and later for the *Toronto Star.* Then came another transition – back to England to accept a post in the London bureau of the United Press. In two years came yet another transition – a move to Paris to join the European staff of the *New York Herald Tribune,* where he was soon promoted to Assistant Managing Editor. In 1966 he returned to Canada and took root in the news department of the Canadian Broadcasting Corporation. Although "taking root" is perhaps not an apt phrase; it implies a sedentary life, which was not for Joe Schlesinger. After serving as the Executive Producer of "The National", and later as head of the CBC Television News Department, he moved to Hong Kong to become CBC's Far Eastern correspondent. In 1979 the CBC appointed him Television News correspondent in Washington, D.C.

During his long and varied journalistic career, Joe Schlesinger has covered wars, revolutions, Papal elections, earthquakes and their cousins – national elections! He has travelled with both Reagan and Mondale in last year's U.S. election campaign and with Pierre Trudeau through China, with Gerald Ford through Europe, and Richard Nixon to Moscow. He was with Jimmy Carter on his visit to the Middle East. He covered the fall of the Shah and the rise of Ayatollah Khomeini in Iran, and the imprisonment of the American hostages.

The more I reflect on it, the more I wish I had not used that phrase – taking root with the CBC! Maybe now he has taken root in Washington. He has a home there, where he lives with his wife and two college-age daughters.

Ladies and gentlemen, the Washington Correspondent for the CBC Television, and one of Canada's most noted journalists, Mr. Joe Schlesinger.

Joe Schlesinger

When I first came to the television business from newspapers, I was slightly younger and to make me look authoritative they insisted I put on a pair of glasses. I did not need them, but instead of giving me airline tickets and sending me to places, they thought I could talk authoritatively about things if I just had thick horn-rimmed glasses. I did not need them then, but now I do. And they will not let me put them on again, because they say it reflects the lights, and this and that.

However, I am here in Toronto with the rest of my colleagues of CBC staff of foreign correspondents. Between the English and French networks, there is a whole army of us – ten of us, four French and six English. You were talking about the beats I had before; right now I have everything from Niagara Falls down to the South Pole. When I was in Hong Kong I covered everything from the north of Japan to the Khyber Pass between Pakistan and Afghanistan. You missed out that I was in Paris for six years for CBC and I covered everything from Calais to the Khyber Pass again. We came back to Canada this time and, as some of you may have seen or heard, we have been covering the American election campaigns and we covered the famine in Ethiopia. Jean-François Lepine did an absolutely amazing, brave and journalistically superb trip into Cambodia with the Khmer Rouge, walking miles into the country with electronic gear with battery packs and tripods and supplies of cassettes. If you have ever carried the stuff for a hundred yards you know what it means to walk into the jungle with it for eighty kilometres.

We come back and, of course, we are told all sorts of things: Do we have $75 million to spare? The buzzword this year in CBC Toronto seems to be something called "downsizing", whatever that is. I do not know how we will do it but evidently the South Pole to Niagara Falls is not an area big enough any longer. The one thing I have got to say is that I love my job. I love working for the CBC. I have stated my bias. Also, as a reporter who has observed the world, I can tell you that one of the things that Canada does better than most other countries is broadcasting – the CBC and other organizations. And I am sure, despite downsizing and all the other tribulations, that the CBC will continue doing it, and that not only I, but also you, will be able to be proud of it. So much for the commercial message.

... sometimes, listening to the speeches in the House of Representatives makes the debate question period time on Parliament Hill in Ottawa sound almost like a renaissance of Athenian oratory ...

Sometimes we Canadians look at the Americans, and we look at them as super-achievers. But you have to go down there and live there – and I have lived at the power-centre, at least the political power-centre, if not the financial power-centre – to realize that the superpowers are not really made up of super-men. You realize, when you follow some of the decisions that are made in Washington – some of the world-shaking decisions – that the process by which they are arrived at are at approximately the same level of sophistication as the squabbling I used to encounter a quarter of a century ago when I covered politics at Toronto City Hall and the TTC. I do not know whether any of you have ever listened to a debate in the U.S. House of Representatives, when they read their stuff – they hardly ever make off-the-cuff speeches – and not only that, they can go into the Congressional Record and correct what they have said afterwards, which you cannot do with Hansard. And sometimes, listening to the speeches in the House of Representatives, makes the debate question period time on Parliament Hill in Ottawa sound almost like a renaissance of Athenian oratory.

I have spent much of the past five years recording and explaining some of the differences between us and the Americans. So I do not want to dwell too much on them now. Being in the business I am in, with its emphasis on problems and frictions, many of those differences I dealt with inevitably put the United States and Americans in an unfavourable light. But my over-riding impression of these past five years is of a wonderful country, a vibrantly energetic people and a system of government that is a subtle instrument for democratic change.

Change is really what I would like to talk about today – the changes that I have seen in the United States in the five short years I have been there. Nothing symbolizes these changes better than the recent re-election by a landslide of Ronald Reagan. Many of the changes started long before Ronald Reagan – or for that matter I – came to Washington. But Reagan has articulated some of the changing priorities of Americans and has reaped the benefits.

Much of what I want to talk about is more feeling than fact. For starters, I think Reagan's victory owes as much to the 1981-82 recession as the 1983-84 recovery. Most Americans did not really blame Reagan for the recession. Even many of those who were laid off did not lay the fault at his door. I remember being in a steelworkers' union hall in Baltimore during the 1982 congressional election campaign talking to laid-off steelworkers who were picking up free turkeys for Thanksgiving. Very few of them blamed Reagan for their predicament. They felt things had been going wrong with the American economy and the American society in general long before Reagan arrived at the White House and that it would take a long time and quite a bit of sacrifice to fix it.

I encountered the same sentiment among farmers in Iowa who were in trouble because of a combination of drought, high interest rates and Reagan's farm policies. Here were people who were suffering but were not blaming their government for what was happening to them. I am not trying to say that everybody who was unemployed or in other economic trouble was that philosophical about it. Still, it was remarkable and certainly in stark contrast to Canada where so many people blamed everything from unemployment to their sciatica on Pierre Trudeau. The biggest difference, obviously, was that Trudeau had been around too long to be able to say like Reagan that he just had not had the time to fix things.

But there is more to it than that. The great difference between Canadians and Americans in the sixties and seventies was that Canadians felt better about where they were heading then than did Americans. In the late sixties we had Expo and Trudeaumania; they had Vietnam, assassinations of leaders and race riots. In the seventies, they had Watergate, more Vietnam and the energy crisis.

Sure, we had an energy crisis, too, but a much different one. For us, in its early stages anyway, the energy crisis brought up visions of endless opportunity. We had the raw materials the world was panting for, or so we told ourselves. If we were not all Albertans, we were at least cousins of the blue-eyed sheiks and they could not very well let us freeze, could they? Some of us would be more O.K. than others, but we would be O.K.

Meanwhile, the Americans were suffering through long lines at the gas pumps and two presidents in a row – Ford and Carter – who were perceived as not being able to chew gum and walk at the same time. And to top it all off, there was Iran and the hostage crisis. When Jimmy Carter talked about a malaise among Americans, he was right. But he was the greatest part of that malaise as far as most Americans were, and are still, concerned.

... Reagan's main thesis was that government was not the solution; it was the problem ...

So when Reagan came along and told Americans they had been heading in the wrong direction, they agreed with him and gave him a try. Now, remember Reagan was not just saying that the Democrats were responsible for the wrong direction. By inference, if not by name, he was also blaming his Republican predecessors who may have tinkered with the role of government Roosevelt's New Deal had left behind but kept on expanding it. Reagan's main thesis was that government was not the solution; it was the problem. What the country needed was a smaller, leaner, meaner, tougher government. When the recession hit, many Americans saw it as part of the shakeout of the system to cure the country's ills. And Reagan handled it the old-fashioned way: mostly he did nothing. He let the pain and the fever of deep recession do the curing.

There was no rush to job-creation programs. On the contrary, when the Reagan administration levied a five-cent tax on gasoline for a road-building program, Reagan hastened to deny quite vehemently that this was meant as a job-creation program. Job-creation programs, you see, were ideologically bad as far as he was concerned because they usually ended up in fruitless dig-a-hole-then-fill-a-hole schemes and only provided temporary jobs that did not lead to anything. His road-building program was started because the country needed better roads, not because it provided needed work for the jobless. At the same time as there were more of the poor, he trimmed programs for the needy. If there was no great outcry against all the pain, it was surely not because Reagan was so tough that he managed to impose these harsh conditions against the will of the country. Reagan, though he can be stubborn, is not the kind who will batter his head against a stone wall. It was more a case of the country being ready for tough medicine. As we all know, in a democracy a government can only be successful by taking a country in a direction in which it is ready to go. But, if it is lucky and smart, as the Reagan administration has been, it will only nudge the country in the direction in which it is already heading.

> *... in a democracy a government can only be successful by taking a country in a direction in which it is ready to go ...*

Let me give you a few examples: Reagan has been preaching the same rightist message for years. Yet since he has got to the White House he has been careful which of his causes to act on and which to keep in his back pocket to be taken out and shown only to his most faithful ideological followers. While he has cut welfare programs for the poor, he has been careful not to cut the welfare programs of the middle classes because security for the middle classes is where it is all at in politics. He has been strong in acting abroad because Americans want their president to be strong. But he has been careful not to commit American troops to combat because, since Vietnam, Americans have shown a great sensitivity to having American boys fighting and dying overseas.

I know I have had a great deal of difficulty explaining a man like Cap Weinberger, the U.S. Secretary of Defence, who is portrayed as a "hawk" but who, on the other hand, is always the voice that speaks against deploying U.S. troops in a place, whether it is in Beirut or elsewhere. He does not want the U.S. troops somewhere where they will be fighting and dying without popular support in Congress and in the public. The one instance where he has put troops into a combat situation – the Marines in Lebanon – he pulled them out quickly even while saying that he was not "cutting and running", which he had promised he would never do, but only "re-deploying" the Marines.

Reagan has been pushing for prayer in schools for which there is a considerable constituency in the country. But, though he has continued to oppose abortion, he has soft-pedalled his stand on it because a ban on abortion would be highly unpopular. On the one abortion front that he has acted on – cutting funds for state-paid abortions – it was as much a measure against government handouts as against abortion.

But if Reagan has trimmed acting on his beliefs to suit the country's mood, the country has also become more receptive to his general philosophy. Let us take the South as an example. The southern states, once the backbone of the New Deal coalition, have become a Reagan stronghold. In fact, of course, the South had been changing long before Reagan came along. In the last five presidential elections the South has voted Republican all but once and that exception was 1976, when a southerner, Jimmy Carter, was running. The South was always a conservative place. But Roosevelt managed to harness the segregationist southerners to his Democratic coalition – despite the fact that it contained blacks, Jews, Catholics and unions and just about everything else southern conservatives hated – because the New Deal's big government programs meant economic progress for the South. There was government subsidized electricity from the Tennessee Valley Authority. There were subsidies for cotton, peanuts and tobacco. There were military bases and defence industries all over the South.

But now the South has grown up. Industry has been attracted to the sunbelt, not just by the weather but also by cheap non-unionized labour. All of a sudden, the South does not need all that government money as much as it used to. It is more concerned about paying too much in taxes and the Democrats paving the way for blacks to take their places first in buses, then in desegregated schools and better jobs. And now, the blacks were demanding more and more political power. So the South has turned back to its original conservative roots with a vengeance. In this election, the Democratic party in the South has been turned largely into a party of blacks. Close to eighty per cent of southern white males voted for Reagan. And it is likely to get worse for the Democrats. With blacks supplying so much of the Democratic vote, they will naturally demand more say in the party, and the more they get, the more it will drive white voters away.

And that is not just in the South. Every time Jesse Jackson was seen on television crying emotionally, "our time has come, our time has come", it sent shockwaves through White America. In the election nationally, a quarter of Walter Mondale's support came from blacks. By any standard that gives blacks – and more specifically Jesse Jackson – the right for a larger role in the party's affairs. And yet, such a role could in the end cripple the Democrats for years to come.

While race and racism helped Reagan, the main reason he won so big was the economy. Inflation and interest rates were down, employment was up. And if it can be debated whether he was responsible for these things, it did happen on his watch; he did predict the turnaround even while around him doomsayers were saying it was not going to happen. So he deserved the credit. But, of course, the recovery is not all that solid; there are all these budget deficits and unemployment is still as high as it was when Reagan was running around four years ago decrying it.

When Americans in this election answered Reagan's campaign question – "Are you better off than you were four years ago" – with a resounding YES, I am convinced that they were not really so much remembering how well off or not they were four years ago. Nobody, except the rich, is all that better off than four years ago; statistically the lower middle class has only kept even; the poor are worse off. What most Americans remember and react to is that they are a lot better off than they were two years ago and that they have a lot less fear now about becoming worse off than they had four years ago. The recession that the Democrats kept beating Reagan over the head with worked in Reagan's favour. It scared the pants off Americans.

Union voters, who used to be the backbone of the Democratic party in the North, saw that their unions could not avert layoffs, stave off shutdowns or avoid contract givebacks. They saw that the government could not and would not pull off an endless series of Chrysler bailouts to save all of their jobs. They saw new plants starting elsewhere with non-unionized labour and prospering to the point where their workers perhaps were not making union rates but were at least better positioned to keep their jobs and get new and better ones. So they listened to Reagan's message that they could only get more if the pie grew bigger and the pie would only grow if investors could be sure of making money and not have to fork it all over to Uncle Sam in taxes. Add to that their dissatisfaction with paying taxes to keep other people – and in many cases that again meant blacks – on welfare and you have a huge bloc of union voters who abandoned Mondale and the AFL-CIO for Reagan.

Add to that the young who saw themselves being squeezed out under the last-in, first-out rule of the job market and opted for Reagan's Opportunity Society with its promise that a free enterprise system unhampered by excessive government regulation or taxes will bring opportunity for all willing to work hard. Add also the men who got tired of what they perceived as being pushed around by feminists. Add also the women who reaped the rewards of the feminist struggle by getting better-paying jobs and then put feminism on the back burner because they now had more urgent concerns, such as losing too big a tax bite out of their incomes, which, thanks to the struggle for women's rights, had grown considerably. All these are human paradoxes, and Reagan was positioned to expoit them. Add, too, the fact the civil rights drive which aroused the support of so many American whites in the sixties had run out of steam and the sympathy of White America. Most whites saw it no longer as giving minorities an equal break. It was now a matter of giving them a better than equal break in the form of affirmative action that meant you could end up losing out on a job to someone less qualified simply because they belonged to some racial minority or were female.

... The United States has turned to the right. But it is still not clear, despite Reagan's stunning victory, how far to the right ...

The United States has turned to the right. But it is still not clear, despite Reagan's stunning victory, how far to the right. The New Deal is obviously dead and Americans are quite evidently tired of the reforms and welfare programs of the sixties and seventies. A whole new generation is growing up more pragmatic, more cautious, less given to flights of self-indulgence than those of the sixties and seventies. But is it a halt, a pause that refreshes, or is it to be a reversal? The fight for the direction of the country after Reagan is already on. The first battle will be over cutting the budget deficits. It has already started. The moderates are letting it be known that the President will have to go back on his election promise not to raise taxes. Of course, it will not be called a tax raise. The last time Reagan raised taxes it was called tax reform so that is out this time. But for a President who can call a military retreat "redeployment" semantics is obviously no obstacle.

Head table guests: Dr. George Ignatieff, J. Donald Blevins and Frank Salerno

On the other hand are the purists of the right who just want to cut down the size of the government and see the deficits as a good excuse for doing it. Just to give you an idea of how far they are willing to go, the main Reaganite think-tank, the Heritage Foundation, is suggesting that controlling air traffic be farmed out to private enterprise. Nobody is laughing so that means that maybe some people here think that in this country we also ought to put air control to private enterpise.

Finally, there are the supply-siders who say the

President need not worry about the deficit. All he has to do is cut taxes more and the economic boom that will result, as people invest in the economy the money they saved on taxes, will generate so much more tax revenue that the deficits will disappear. All this is going on very loudly in Washington with all sorts of hidden agendas – both ideological and personal.

... another big difference between Canada and the United States ... In Washington, there is a loud and lively public debate ... Ottawa is a pretty quiet and almost decorous place ...

It has struck me since I have been back in Canada this past week that we have here another big difference between Canada and the United States. In both countries, the voters have just spoken with a strong voice. In Washington, there is a loud and lively public debate about what should be done with that mandate. You can hardly escape it. It is done mostly with leaks to the press. Leaks, as some of you may have heard, are used in some of the less developed parts of the world, such as the United States, as an instrument of governance. They are a sounding board to see whether an idea will fly and, if it gets shot at or shot down, who is doing the shooting? By comparison, Ottawa is a pretty quiet and almost decorous place these days.

In Washington, members of the President's cabinet have various conflicting agendas. So have the different factions of the President's own White House staff. The budget director has his own. The Senate majority leader happens to be in agreement with the budget director.

But the leader of the Young Turks in the House accuses both of them of being closet welfare statists. The President just cups his hand to his ear as if he could not hear any of the strife. He either says nothing or cracks a joke. No one knows which way he will turn – or be turned – and most people suspect he does not know either. Be that as it may, it sure is lively.

The appreciation of the audience was expressed by Brigadier General S.F. Andrunyk, a Past President of the Club.

Head Table

BGen. Steve Andrunyk, O.M.M., C.D.
President and General Manager, Ontario Safety League
Past President of the Club

The Rev. Kenneth Bagnell
Editor, *The Review* magazine, Imperial Oil Limited

Howard Bernstein
Executive Producer, News and Current Affairs, CBLT

J. Donald Blevins
Consul General of the United States of America

Hilary Brown
Anchor of CBLT's News Hour program; Former foreign correspondent, ABC TV News

Prof. Stephen Clarkson
Department of Political Science, Univ.of Toronto

Gordon Donaldson
President, The Toronto Press Club

Dr.George Ignatieff, C.D.
Chancellor of the University of Toronto

Nona Macdonald
Communications Consultant, Univ. of Toronto
Director of the Club

H. Dennis Madden
Vice President, Gov't & Corp. Affairs, Royal Trust Co.
Director of the Club

Bernard Ostry
Deputy Minister, Citizenship and Culture, Province of Ontario

Frank Salerno
President and Chief Executive Officer, Chase Manhattan Bank of Canada

The Hon. Bette Stephenson, M.D., M.P.P.

Ontario Minister of Education and
Minister of Colleges and Universities

PERSPECTIVES ON POLITICS

January 17, 1985

The President
Catherine R. Charlton, M.A. Chairman

C.R. Charlton

Honoured guests, ladies and gentlemen: One of the general criticisms frequently aimed at career women – at least in the past – is that they put their careers before their families, to the detriment of the latter. Whether or not there is a grain of truth in this charge, the Honourable Bette Stephenson, our distinguished speaker, is living proof that it is far from being valid as a generalization. How many of us here can boast that we are living in the same house in which we were raised since the age of nine; that our parents live next door and that our brother lives next door to that! Or that one of our children turned down the chance of a glamorous trip to Switzerland, because it would involve not being with the family at Christmas?

It is obvious to anyone who examines her non-official life that to Dr. Stephenson, her home, her husband, and her children (comprising four sons and two daughters) provide a base, a source of renewal, a sense of purpose and security, which gives her the needed strength in her official life. It also keeps her human, and adds validity to her own description of her political style as, "Country kitchen ... sitting down, rolling up your sleeves and talking it over".

Our speaker was born in Toronto and studied medicine at the University of Toronto. A fellow student, and graduate, Dr. Allan Pengelly is her husband. Dr. Stephenson has been a general practitioner since graduation, and was named the first head of the Department of Family Practice of Women's College Hospital. She has served as president of the Ontario Medical Association, and in 1973 became the first woman president of the Canadian Medical Association. Since her election to the legislature, representing the constituency of York Mills, Dr. Stephenson has served with distinction in several cabinet posts, including Minister of Labour and, currently, Minister of Education – a senior cabinet post which two former premiers, John Robarts and William Davis, once held.

Despite the onerous burdens of her political career, she has never turned a deaf ear to the needs of the community, as shown in such commitments as a directorship of the Canadian Cancer Society, the Varsity Fund and the Ontario Health Planning Task Force.

I present to you a thrice-blest person: a wife and mother who has held her large family together with love and strength; a very much admired family doctor who, when she announced that she might have to give up her male patients, found that they would not give HER up; and finally, an outspoken political leader who has never ducked the challenge of speaking frankly on controversial issues.

Ladies and gentlemen, the Honourable Dr. Bette Stephenson.

MGen. Bruce J. Legge, President of the Empire Club Foundation; The Hon. Bette Stephenson; Montague Larkin, Second Vice President of the Club; Nona Macdonald, Director of the Club

Bette Stephenson

While listening to Mozart and having late night thoughts recently, it occurred to me that one day soon I would have the privilege of addressing this venerable and worthy group. In such moments, dilemmas are born.

As Minister of Education and Minister of Colleges and Universities, I first thought it might be entirely appropriate to address issues in education. They are many. I could tell you about the cost of education, for example. The fact that this year the tax-payers of the province of Ontario will be providing something of the order of $10-plus billion in support of educational processes from elementary to post-secondary in the province.

And I would remind you that that is real money, not monopoly bills. But apparently it is not enough for some people, including, I gather, one of our leadership candidates. I sometimes question the desire for more, but then I suppose we all have it.

I could tell you, at some length, about recent reforms, about a more vigorous and relevant secondary school curriculum, or about impressive and substantial progress towards that elusive pedagogical paradise of equality of educational opportunity.

We have established, within the past decade, several rights. First the right of every child, regardless of exceptionality, to have an educational program appropriate to his or her needs, delivered to him or her by the educational system. And much more recently, the right of every student in this province to have the education which they need, delivered in their mother tongue, be it French or English. When I make the statement that we have established the right of every French-speaking student to an education in the French language in the province of Ontario, many people forget that the same right, as a result of that legislation, applies to every English-speaking student in the province who finds himself or herself in a minority language situation. I believe that the legislation related to the education of those with exceptionality is, in fact, the most enlightened piece of social policy legislation in recent memory, and I believe that it will meet the requirements of exceptional children in any part of Ontario for years to come.

Bill 82, as you all know, requires each school board in this province to deliver that educational program to those students, and it really does take us another long step toward the road to equality of educational opportunity. I think, as well, it provides us with a toe-hold into an uncertain future. We are this year, with the help of the private sector, establishing yet another toe-hold based upon the – I suppose one might call them experiments of the past – in which the private sector co-operates with the school system in providing educational programs both within the institutions and within the establishment, the business establishment. And we have encouraged co-operative education and will continue to do so in a very vigorous way.

Another step on the road to equality of educational opportunity and a toe-hold into an uncertain future is the introduction – through encouragement of and co-operation with the private sector – of the first and most sophisticated microcomputer designed exclusively for educational purposes in the world.

In measuring ourselves against the world around us, we can take some pride in the fact that Ontario has the highest post-secondary participation rate in Canada and the second highest in the industrialized Western World, including Japan. I could continue, but while listening to Mozart and having late night thoughts, I concluded that today I shall speak of other matters – matters that have to do with trust, with public life, with leadership, and with the rights and responsibilities we all share as citizens of this country.

In the past two decades – as we lived through the selfishness of the sixties (do-your-own-thing) and the rose-lapelled shrugs of the seventies – we experienced a deterioration in trust. It did not happen overnight. It evolved as an insidious, creeping and corrosive process. In Dallas and Los Angeles, we witnessed unbalanced assassins dismember a family of leaders. Every night on the six o'clock news, we saw a war nobody believed in. And we watched with helpless horror the rise of international terrorism. We saw a president fleeing in dishonour and disgrace for the portals of the White House, and we were sad–less for him, than for ourselves.

As trust became more tarnished, we increasingly used expressions such as – "Would you believe?" They reflected our growing cynicism based on confused disenchantment. We learned that a technology-driven industrial world could be taken almost to the point of ransom by oil-rich desert societies. We came to live with such words as inflation, unemployment, debt, divorce, drugs and disunity. And we became suspicious about the use and meaning of other words. We learned that a president who was labelled a conservative had created the largest government and biggest deficit in the history of the United States. Meanwhile, the communist in charge of collectivity at the Kremlin, has twenty-six cars parked in his garage. Would you believe it?

> *... One of the most vigorous and vocal disseminators of mistrust in recent years has been the news media ...*

Cynicism has crept into our souls, and we have felt its chill. Our trust in others, as well as in ourselves, has been undermined. So has our confidence in the institutions which serve us, and in the people who lead us. Few institutions, including the church, the family, schools and universities, unions, corporations and governments – even the arts and sports have escaped the withering view of the distrusting critic.

One of the most vigorous and vocal disseminators of mistrust in recent years has been the news media. This once heroic institution has fallen on bad times. Consider how bad. A few years ago, two reporters, Woodward and Bernstein of the *Washington Post*, exposed the White House cover-up of the break-in at the Watergate. A nation had been alerted, top presidential aides were jailed, a president resigned in moral tatters, and two reporters won the Pulitzer Prize. This was investigative journalism at its best – get it first, get it right. It stimulated an interest in the vocation that was unprecedented.

Three years ago, however, this same newspaper, the *Washington Post,* was nominated for another Pulitzer Prize. The reporter, Janet Cooke, had found and interviewed a pathetic eight-year-old heroin addict. The story was a shockingly poignant account of the theft of innocence. The problem was that Janet Cooke fabricated it and the *Post* printed it. She was fired, the *Post* lost both credibility and the Pulitzer nomination. The Cooke scandal at the *Post* was a sensational example of journalism at its worst, at its most irresponsible – made possible by the slothful use of non-attributable sources and absentee editing.

There are many other less sensational cases, however. In the United States, according to the Libel Defense Resource Center, the average jury award in libel actions is now more than $2 million. The press loses eighty-five per cent of its cases before juries, while manufacturers lose thirty-eight per cent, and physicians thirty-three per cent. Currently, there are at least fifteen multi-million dollar awards against the press – more in the past ten years than in the preceding two hundred. The heart of the problem is that in its attempts to uncover, the press has lost its balance and attempts to dismember. People have noticed, and they are concerned. The National Opinion Research Center reported recently that solid public confidence in the press has fallen from a lowly twenty-nine per cent in 1976 to under fourteen per cent today. I ask myself, why?

... In its attempts to uncover, the press has lost its balance and attempts to dismember ...

Some insight was offered recently to the Newspaper Publishers' Convention by Kirt Luedtke, former Executive Editor of the *Detroit Free Press* and author of the screenplay for the movie "Absence of Malice". He told the newspaper owners:

> "On your discretionary judgments hang reputations and careers, jail sentences and stock prices, Broadway shows and water rates. You are the mechanism of reward and punishment, the arbiter of right and wrong, the roving eye of daily judgment. You no longer shape public opinion, you have supplanted it. There are good men and women who will not stand for office, concerned that you will find their flaws or invent them. Many people who have dealt with you wish that they had not. You are capricious and unpredictable, you are fearsome and you are feared because there is never any way to know whether this time you will be fair and accurate or whether you will not. And there is virtually nothing that we can do about it."

I think anyone with any sort of profile in public life would find Mr. Luedtke's observations valid. And they are as valid in Canada as in the United States. The only difference is a matter of scale. But our press had opened its own Pandora's box of innuendos, incompetence and malice.

We have had a former federal cabinet minister – one whose defence I normally would be loathe to jump to – libelled with intent and victimized by incompetence. In that one, the *Toronto Sun* paid John Munro. In another, we saw W5 libel a corporation which was awarded one dollar a viewer in damages. I was not aware that more than 800,000 people viewed W5.

... We have seen the press conduct itself in ways that lack honour and promote distrust ...

There have been others, and we have seen the press conduct itself in ways that lack honour and promote distrust. We even had one newspaper, the *Globe and Mail,* find a front-page story after foraging through a garbage bag – an appropriate source, one might say.

The real solution to such actions does not lie in remedies or treatments, but in prevention – not in the courts, the press councils, nor in self-righteous retractions hidden behind Anne Landers' skirts. The solution lies in an accountability to excellence, fairness, respect and trust – and a balance between rights and responsibilities. This is a solution for the news media as it struggles to regain some of the respect it has lost. But it is a solution for all institutions, and for all individuals as well.

Part of the problem in the past two decades is that we have lost the balance between rights and responsibilities and we have become a rights-“ridden” society. We have consumers’ rights, women’s rights, civil rights, human rights, animal rights, native rights, gay rights, students’ rights, children’s rights. We have the right to work, the right to strike, the right to life, the right to choose. In fact, every pressure group that marches on legislative buildings, sooner or later chants: “We demand our rights.”

Fair enough, but let me ask you: when was the last time you heard a group of marchers chant: “We demand our responsibilities”? I am not prepared to predict that we will hear that chant, but as we leave the selfishness of the sixties, the apathy of the seventies, and step into the eighties with a growing sense of optimism, we will hear more about responsibilities. As this happens, I believe we shall hear more about trust as well. But trust can only come with reliable information and knowledge.

In politics, the electorate is not without responsibility in this area. The electorate has all sorts of rights, which it does not exercise very frequently, and responsibilities which it exercises even more infrequently. A major responsibility for the electorate is to really try to be informed. That is difficult to do when we are served by a media which is informative primarily in thirty-second flashes – “the world comes to an end, details at eleven”.

Nor is it easy to be well informed when those who are running electoral campaigns insist on selling their candidates as though they were bars of soap rather than anything else. But there has to be a way to assist the electorate to learn as much as it possibly can, to find out what the basic principles of each individual who is elected or seeks election are.

In an increasingly complex society, we must be able to trust our leaders, who will not be able to lead without followers – informed citizens from all walks of life who participate actively in the political and social process. Perhaps one of the problems of the past – and I bare a bias – has been that too many lawyers have occupied too many legislatures for too long – a lifetime in some cases. It is not surprising that lawyers, more than any other professional group, should be attracted to politics as a career – to the making and enacting of laws.

Others, however – particularly those who have been the beneficiaries of education provided by the state – have obligations to give of their time to public service. I question, however, whether we are best served if the majority of those who enter political life anticipate it as a lifetime career. Would it not be preferable if conscientious, concerned, contributing members of society were willing to devote a decade, perhaps a decade and a half, of his or her life to public service?

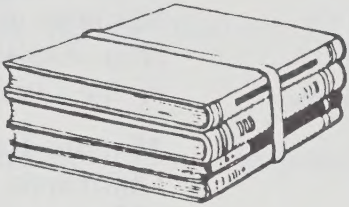
If we could encourage competent and talented people from all walks of life to enter politics for a flexibly understood time, more than likely we would be on the way to having an optimum political system. We would have the benefit of a wide range of experience with fairly intimate knowledge of the functions of society outside of government. The people would benefit, so would the political process. In this way, I could see legislatures, both opposition and government parties, made up of people with different areas of knowledge, excellence, expertise and experience in life – people from a variety of backgrounds in the private sector, scientists, educators, intelligent men and women – even doctors, even engineers. This connotes, of course, a model of leadership that is not necessarily to be equated with one individual, but indeed to a group of people, leadership built upon the demonstrated capability of a group of talented people.

To me, leadership means exercising wisdom based upon the best information and knowledge that can be developed in the interests of the people who are served. Sometimes – increasingly so, I suspect, as we face new issues requiring new responses – the directions that we will have to take will be perceived as politically unpopular.

> *... A leader in politics must be able to teach his or her constituency ... that no matter where they are, or what they do, they are inter-dependent with other people ...*

But if these directions are arrived at by all on the basis of the fullest foundation of knowledge and trust, then they should be proceeded with. And therein lies probably the most important role of the individual who is involved in the political process. A leader in politics must be able to teach his or her constituency the most important subject, the most important rule which they will ever have to learn, and that is that no matter where they are, or what they do, they are inter-dependent with other people. That no individual is singular or the most important, and that in any circumstance – be it within the family, within a community, within a province, within a nation, or within our world – is any one of us free from dependence upon others. That is the Right Stuff. The stuff of trust. A leader must be able to relate to his time, and in a time of change he must be creative, finding how best to lead, so as to build optimal trust among his followers.

And so, ladies and gentlemen, while listening to Mozart and having late night thoughts recently, words like love, trust, honour and faith came into my mind. As for our institutions – including the news media – love without criticism brings stagnation, and criticism without love brings destruction. We shall have to nourish our institutions as we would ourselves and those we love. And we can start by building trust.



The appreciation of the audience was expressed by James H. Joyce, a Past President of the Club.

Head Table

The Rev. Bill Davis
Rector, St. Peter's
Anglican Church

Ronald Goodall, C.A.
Partner, Goodall and Peacock
Director of the Club

Loretta Guido
Grade 12 student,
Oakwood Collegiate

Norman B. Hathaway
President, Ontario
College of Art

James H. Joyce
Chairman, Ontario
Development Corp.
Past President of the Club

Dr. George J.M.K. Korey
President, Canadian School
of Management

MGen. Bruce J. Legge, Q.C.
Partner, Legge and Legge
Past President of the Club
President, The Empire
Club Foundation

W. Malcolm McIntyre
Former Deputy Minister,
Department of the Prime
Minister of Ontario
Hon. Assistant Secretary
of the Club

Marnie Paikin
Chairman, Ontario Council
of University Affairs

Dr. G. Allan Pengelly
Physician, and husband
of the speaker

Jean Probyn
Teacher, and President,
York Mills Progressive
Conservative Riding Assoc.

The Rt. Hon. the Lord Carrington, P.C., K.C.M.G., M.C.

Secretary General for the North Atlantic
Treaty Organization

FORTY YEARS ON

January 23, 1985
The Westin Hotel, Room "Toronto I"

The President
Catherine R. Charlton, M.A. Chairman

C.R. Charlton

Honoured guests, ladies and gentlemen: It is a privilege for the Empire Club, in the presence of the Lieutenant Governor, to host this special luncheon marking Lord Carrington's first visit to Canada as Secretary General for NATO. It is equally a pleasure to welcome our guests and friends from the Loyal Societies and other clubs sharing our interest in hearing today's speaker. Welcome to the meeting.

In introducing Lord Carrington, I note that there are many stories told about this international celebrity. But the one that seems to me to best typify our guest's disarming diplomatic talents, is the one concerning his meeting with a rather self-important Middle East princeling. Angered by critical articles about him in the British press, the Arab dignitary complained bitterly to Lord Carrington, who was at the time British Foreign Secretary. After patiently hearing the complaints, Lord Carrington responded: "My dear fellow, you ought to see what they say about me."

A basic aptitude for hard, clear thinking, mixed with uninhibited courage, and seasoned with wit and urbanity, have enabled him to perform some historic miracles in the area of international politics and diplomacy.

He was the man who achieved what many of his contemporaries had found impossible – a virtually bloodless transfer of power that led to the end of Rhodesia as colony, and the birth of Zimbabwe as nation. As Margaret Thatcher's Foreign Secretary, he achieved this by persuading several warring black leaders to sit down in London, along with Prime Minister Ian Smith, to negotiate a new constitution.

He became active in politics after the War, when he took his seat in the House of Lords. His first government job was a post in the Churchill cabinet at the age of thirty-two. Besides having had innumerable and important jobs in international and national politics, he has also a business background – for example, his term as Chairman of Britain's General Electric Company.

Finally, I should note that it was during Lord Carrington's term as Foreign Secretary that the British North America Act was patriated. As such, he is already a lively part of this country's history. His presence today representing NATO promises a continuing participation in Canada's destiny.

Ladies and gentlemen, I present Peter Alexander Rupert Carrington, 6th Baron Carrington, Privy Counsellor, holder of the Military Cross and Secretary General for the North Atlantic Treaty Organization.

Lord Carrington

You may recall that Franklin Roosevelt was once persuaded to speak at a meeting of the Daughters of the

American Revolution, apparently to help diminish the suspicion with which he was regarded by members of the conservative establishment – a suspicion which was, I fear, reinforced by his decision to address that formidable assembly as "dear fellow immigrants". I am very grateful to the Empire Club for having invited me to speak today to an audience which is at least equally distinguished; and I shall resist the temptation of addressing you as dear fellow imperialists.

The Rt. Hon. Roland Michener, Honorary Chairman of the Club; The Hon. Thomas L. Wells, Ontario Minister of Intergovernmental Affairs; Lord Carrington.

I have chosen the title "Forty Years On" partly because I am trying to put off the evil day when one of my speeches is christened "Son of whither NATO". But I have a more serious reason too, because it is important that we learn the right lessons from the fortieth anniversaries which fall due this year. In particular, that of Yalta next month; of victory in Europe in May; and of victory in the Far East in August.

Forty years ago today, the Battle of the Bulge was being fought – nearly five months after the liberation of Brussels, but only a hundred miles away as the crow flies. That alone should serve to remind us of the pain and horror of what is now, sometimes almost dismissively, referred to as conventional war. Conventional war which twice in this century brought Canadians to fight and to die in Europe; which killed over fifty million people in the two World Wars; and which has killed over eleven million more outside the NATO area since 1945.

The anniversaries will be for some a painful reminder of those they lost. The bereaved – and the disabled – will have a special claim on the consideration of those who may be planning public commemoration of events which have lost little of their power to arouse controversy. This is certainly true of the anniversaries I have mentioned: Yalta, as the symbol of the post-War settlement; VE Day, which the Soviet Union rightly sees as an occasion to recall the immense suffering of its people, and their no less significant contribution to Allied victory; but which Soviet propagandists cheapen by their groundless and self-serving attacks on the Federal Republic of Germany. And, finally, VJ Day: inevitably linked in the mind to the first – and we must all hope the last – uses of a new and terrible weapon.

The message which I hope will emerge is one of determination that such wars should never happen again. That, in turn, means that the emphasis should be on reconciliation; and on working together to prevent what our common interest requires us to prevent. That was very much the spirit in which an earlier generation of leaders in North America and Western Europe worked to lay the foundations of the post-War world. We tend to forget how well they built; partly, no doubt, for the very good reason that our interest is focussed on the many things which are still to be done. But partly also because we do not always look at things in the right perspective. We tend, for example, to see the European Community too much in terms of the butter mountains and wine lakes of popular journalism; and to see NATO in equivalent light, as an organization given substance only by recurring crises.

The real substance is very different. It is the building up over the years, in the Community and in the Alliance, of a new fabric of relations. Former enemies are partners and allies; and war between the nations of Western Europe has become inconceivable. We are following – and not before time – the example which Canada and the United States have set so consistently, in maintaining what it is much more than a cliché to describe as the longest unarmed frontier in the world. The process of reconciliation and co-operation goes wider than the Community and the Atlantic Alliance. We shall see a good example in the first week of May, when the leaders of the seven great industrialized countries of the free world meet in Bonn for what has become an annual summit – Canada and France; Germany, Italy and Japan; the United Kingdom and the United States. At the height of the war, they were split four and three. Now they are seven; and their working together is a powerful symbol of what has been achieved, as well as a basis for confidence in the future.

The picture is less satisfactory in the field of East/West relations; though here too, there is a tendency to overlook the positive side. The overwhelming achievement here is that the North Atlantic Alliance has done what it was set up to do: it has kept the peace; and it has maintained a framework of security, within which the people of our countries have been able to go about their business in their own way, without interference from outside. That is a success by any standards; one of which we can be proud and one which we must be careful never to take for granted.

... the North Atlantic Alliance has done what it was set up to do: it has kept the peace ...

Where we have been less successful over the last forty years, is in establishing with the Soviet Union a better basis for that security; and I see that as a very important part of the job that we in NATO are there to do. How best we should do it is a question to which I do not have easy answers. I am sure that there are not any easy answers. But the West has by now had much experience in doing business with the Soviet Union; and it should be possible to draw at least some conclusions about what works and what does not.

Two points strike me as of particular significance. The first is that the Soviet leaders work to a political calendar which extends much further into the future than ours. The second is that the incentive for them to reach agreement on terms acceptable to the West, can only be a strictly practical one: the facts of life may work in favour of agreement; but ideology is there to warn us that appeals to abstract principles will not. Western policy must take both these factors into account. And that is nowhere more true than in the field of arms control and disarmament, where it is encouraging to hear that the Russians are now talking of the need for radical measures. That is what the Western countries concerned have been proposing for some time. For a start, very substantial reductions in nuclear weapons; the complete elimination of chemical weapons; reductions to equal and lower levels of forces in Central Europe; and a system of military confidence-building measures rigorous enough to do what the name implies.

The West is not asking for anything which would leave the Soviet Union at a disadvantage, and I have no doubt that business can be done to the advantage of both sides. I am also enough of an optimist to believe that business will be done; but there are some formidable difficulties, which it serves nothing to overlook. One such difficulty is the fact that the Soviet Union presently enjoys a significant advantage in many of the categories under negotiation. Another is the marked reluctance of the Soviet Union to agree to what is necessary to ensure effective verification. If we in the West want agreements which meet our concerns on these points, it will not be enough for our negotiators to say so to their Soviet counterparts. They will have to go on saying so, with firm, consistent and visible political support, for as long as it takes to convince the Soviet leadership that we will not settle for something which is less than fair and reliable.

Anything which serves to confuse or dilute that message will have one of two results: it will put off the day when we are able to register real progress in the field of arms control; or it will lead to our getting only the shadow of what we want, in the form of agreements which are unbalanced, unverifiable or both. The sources of such confusion and dilution unfortunately run deep.

There are those who argue for a freeze on existing numbers – and thereby on existing imbalances – without concerning themselves too much about verifiability; or about the surely very real danger that the Soviet leaders might prefer to end up with a partial agreement tilted in their favour, than with a farther-reaching one which was properly balanced.

> *... These are not the negotiating techniques which people use at home, in their business or private lives ...*

There are others who argue that we should make unilateral reductions: in the hope that this would make agreement easier to reach; or perhaps lead, without the need for formal agreement or prior understanding, to a virtuous circle of mutual disarmament. Others still, impatient at the lack of results, translate their understandable frustration into calls for further modifications to the Western negotiating position – before the Soviet Union has felt the need to address itself seriously to the previous one. These are not the negotiating techniques which people use at home, in their business or private lives; and there is nothing in the history of international relations to suggest that they will work any better abroad. What they will do instead is to convince the Soviet leaders that things are moving in their direction, and that they can afford to wait: for the next concession; for the next election; or for the next reduction in Western military spending.

There is obviously no single explanation for the difficulties we have had in establishing a stable post-War relationship with the Soviet Union; and, of the several factors involved, I would not hold the West to blame for very many. But consistency has not been the most conspicuous of our virtues; and we have failed to give due weight to the consistency of policy on the other side. I would like to feel that we shall henceforth do rather better; and I am very much encouraged by the estent to which allied governments are agreed on what needs to be done. There is, in particular, general agreement on the broad lines of a political strategy towards the Soviet Union and Eastern Europe – a strategy which makes unmistakably clear our positive approach to negotiations on arms control and disarmament; and which makes equally clear our determination to work also in other fields for a more constructive relationship with the East.

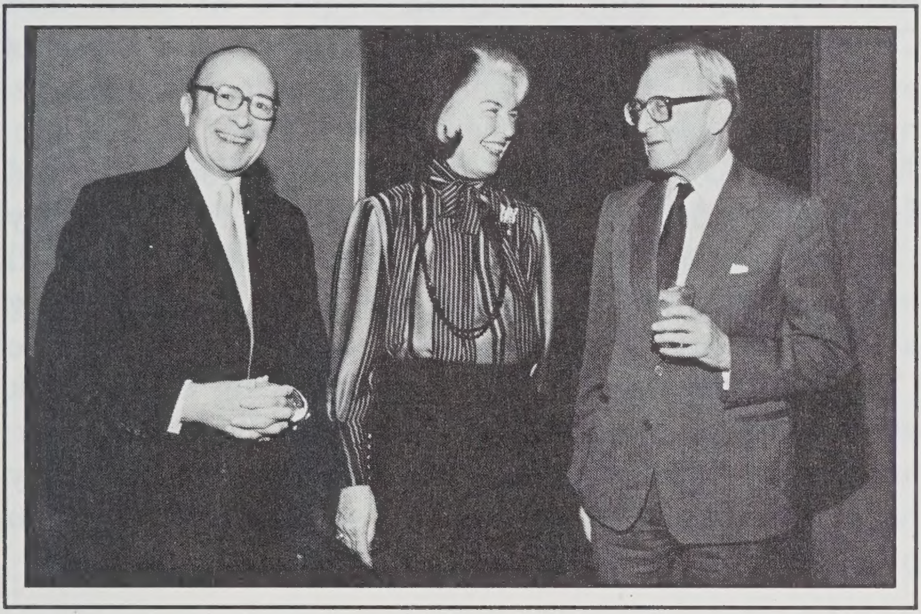
... I am very much encouraged by the extent to which allied governments are agreed on what needs to be done. ...

These are points which Western leaders have been trying to get across to their Soviet and Eastern European counterparts for some time. They were given particular emphasis in a series of bilateral contacts last year; including, of course, those which President Reagan and Secretary Shultz had with Mr. Gromyko. These in turn led to the Shultz-Gromyko meeting in Geneva earlier this month, at which the two sides agreed to negotiations with the objective of working out what the joint statement describes as "effective agreements aimed at preventing an arms race in space and terminating it on earth, at limiting and reducing nuclear arms, and at strengthening strategic stability".

Amen. That is surely the objective towards which we should all be working; with the two super-powers taking the lead. I have no doubt that the United States is ready to meet the challenge; and what seems to have been successful "talks about talks" at Geneva give grounds for hope that the Soviet leaders may now also be convinced that there is a need for a fresh start. A fresh start, while a necessary condition for the progress we want to see on disarmament and East/West relations more generally, will not in itself be sufficient. There are some formidably difficult problems to be solved, and patient and constructive diligence will be required from both sides.

... In the political field, Canada continues to make an impressive contribution. ...

Meanwhile, the Allies must continue to make it clear that we regard the search for arms control and disarmament as a part of our security policy, and not as an alternative to it. I am therefore glad to note also the consensus within the Alliance that our political and military strategy form two sides of the same coin; and that they must be seen together as an integrated whole. Neither can replace the other; and neither can be neglected without weakening the other. The fact that intermediate range nuclear weapons are being deployed in Europe on schedule, in the absence of an agreement which would have made this unnecessary, is, and remains, an important part of that integrated approach. So too are the decisions which we took at the NATO ministerial meetings in December, to strengthen certain aspects of our conventional defences and to do more in that respect in the future. It would be the height of irresponsibility to allow ourselves to drift, by neglect of our conventional strength, into a degree of dependence on nuclear forces which no one would consciously choose.

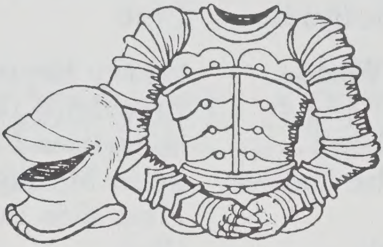


John W. Griffin, Past President of the Club; Jean Casselman-Wadds, Director, and former High Commissioner to the United Kingdom; Lord Carrington

I hope that in all this we shall have the powerful support of Canada, in both the political and the military fields. In the political field, Canada continues to make an impressive contribution. I do not want to embarrass you by listing your virtues, but let me mention at least Canada's special knowledge of and insight into Soviet affairs; the leading part which Canada plays on questions of disarmament; and her wider diplomatic role in the United Nations and in the Commonwealth. We are trying in NATO not only to keep the peace, but to improve the quality of that peace; and, without seeking to extend the limits which the founding fathers placed on NATO as such, we must never neglect the role which individual allies have to play in the wider world.

The support of Canada is no less important in the military field. The Canadian brigade at Lahr and Canada's reinforcement role in Norway are obvious examples. The Atlantic and High Arctic Sea lanes remain of crucial importance to the Alliance as a whole. And so, of course, do the transpolar missile, air and submarine defences. There is in every Secretary General of NATO an element of Oliver Twist; and I will not pretend that I would not like to see Canada doing a bit more to contribute to our common defence. The Canadian government is obviously taking a close look at the matter in terms both of quantity and quality; and I need hardly say that the direction in which they have determined to move is very welcome to Allies on both sides of the Atlantic.

I shall not try to conclude even a speech with this title by looking forty years forward. I hope that by then the sun will still not have set on the Empire Club; I know that it will have set on me; and there is not very much else known of a period so far ahead. But let me express the hope, first that those who are then living in the great democracies of North America and Western Europe will be able to look back in freedom and prosperity at the second half of the 1980s; and, second, that they will see, in the recent meeting at Geneva, the beginning of real progress towards a system of security which meets the needs of East and West at much lower levels of arms and armed forces than those which face each other at present. That is what NATO is in business to do; that is why it is so important that it should remain strong, confident and united; and that, with the help of Canada, is what I am sure that it will remain.



The appreciation of the audience was expressed by MGen. Bruce J. Legge, Q.C., President of the Empire Club Foundation.

Head Table

BGen. George Bell,
M.B.E., C.D.
President, Canadian
Institute of Strategic Studies

Jean Casselman-Wadds,
O.C.
Former Canadian High
Commissioner to the United
Kingdom
Director of the Club

The Rev.
Dr. John Gladstone
Minister, Yorkminster Park
Baptist Church

Montague Larkin, C.A.
Past President, United
Nations Assoc., Toronto Br.
Second Vice President of
the Club

MGen. Bruce J. Legge, Q.C.
Partner Legge & Legge;
The only Canadian to be
Secretary General of the
Inter-Allied Confederation
of Reserve Officers of NATO
President, The Empire Club
Foundation

BGen. Reginald Lewis, C.D.
President, The Royal
Canadian Military Institute
Past President of the Club

Brigadier Richard Malone,
O.B.E., E.D.
Former Publisher,
Globe and Mail

Rt. Hon. Roland Michener,
P.C., C.C., Q.C., C.M.M., C.D.
Honorary Chairman of the
Club

Harry Seymour
President, Dominion
Securities Pitfield Investment
Management Ltd.
First Vice President of the
Club

J.H. Taylor
Canadian Ambassador and
Permanent Representative to
NATO.

LCol. Garry Thomson, C.D.
Vice President, Group
Operations, Constellation
Assurance Co.
Director of the Club

Michael Vernon
Cadet Wing Commander,
Royal Military College of
Canada

The Hon. Thomas L. Wells
Ontario Minister of Intergovernmental Affairs

Gerald Wright
President, The Atlantic
Council of Canada

The Hon. John Crosbie, P.C., M.P.

Minister of Justice

PRINCIPLES AND APPROACHES

January 24, 1985

The President
Catherine R. Charlton, M.A. Chairman

C.R. Charlton

Honoured guests, ladies and gentlemen: After World War II the citizens of Newfoundland were in agonized indecision as to their future course: whether to continue the Commission Government, "go it alone" as a separate country, or become Canada's tenth province. The two referenda in 1948 showed a very close split in public opinion.

In that year, our speaker was a zesty seventeen years of age, a brilliant student at St. Andrew's College in Ontario, about to enroll in Queen's University. He was caught up in the important decision his country had to make. He had misgivings about Newfoundland joining Canada, and as you might have guessed, was not shy in saying so. I have no evidence to prove it, but I have a feeling he would not have opposed Canada joining Newfoundland as ITS first province.

In any event, the issue was resolved by a very close vote in the second referendum. I mention this because it has been said that this was Mr. Crosbie's first taste

Charles C. (Bud) Hoffman, Director of the Club, greets the Hon. John Crosbie

of real politics, although both his father's family and his mother's family had been closely involved in business and politics for generations.

From Queen's he emerged with a first class honours degree in political science and economics and the university medal in those subjects. He studied law at Dalhousie's esteemed law school. He took first place in his class each year, graduating as the university's Gold Medallist in Law; he won five (tied for a sixth) scholarships out of seven available to the graduating class. After doing postgraduate studies at the Institute for Advanced Legal Studies at the University of London, and the London School of Economics, he was called to the Newfoundland Bar in 1957. He was soon involved in provincial politics and served in several cabinet posts in that province.

The doubts, forebodings, and skepticism which pervaded the marriage of Canada and Newfoundland have long since been dispersed by events, and both parties have gained much. Among the good things Canada has gained is today's honoured guest.

There is a saying that Newfoundlanders require a pinch of salt and blarney in their political mix. From the time he entered national politics in 1976, Mr. Crosbie appears to have transplanted this charming combination into the national arena. It seems to be catching on, but he will always be its Master. His reference to the Trudeau cabinet as "Disco Daddy and the has-beens"; his innovation, while Finance Minister in Joe Clark's cabinet, of substituting a new pair of mukluks for the traditional new pair of shoes when introducing the budget; his countering of the beautiful Brigitte Bardot's attack on the Canadian seal hunt by introducing into the Commons a resolution to ban the import of French wines because "the French brutalize the grapes when they pound them with their feet" – such salty humour does, if nothing else, add some relief to the grim and disciplined world of politics, for all parties concerned and the general public.

It is now my pleasure to introduce to you one of the strongest forces in modern Toryism, our Minister of Justice, the Honourable Mr. John Crosbie.

John Crosbie

Madam President, thank you for your very pleasant introduction. Chief Justice, Judge Abella, colleagues from the Senate and the House of Commons, Rev. Howse – who is a fellow Newfoundlander – head table guests, ladies and gentlemen: It is a pleasure to have the opportunity to speak again to the Empire Club. And it is a pleasure, of course, to visit Toronto, where a world-shaking decision has been made recently. It reminds many people of a song that was very popular in the 1930s – "O Buddy Can You Spare a Dome?" As you know, there is a P.C. leadership convention on here now and I am not going to watch any of it because I do not want to see anybody lose. The various candidates are naturally competing for the job and the candidate that Matthew Garfield is supporting wants to put a dome over all of metropolitan Toronto. Frank Miller wants to put one over the whole of Ontario. So there is quite a competition.

My introducer mentioned Newfoundland politics, and it did remind me that one time when I was not agreeing with Mr. Smallwood – every day we used to have an altercation – and one day he said that I was a "skinful of hate" and I said yes, but he was a "pop bottle of poison". They just do not seem to have the same vim and vigour here on the mainland. We Newfoundlanders, however, are normally a very polite lot which is illustrated by this story about the chap who came down from the mainland last fall to go hunting in Newfoundland and he brought his new hunting dog with him. He thought that this new mainland dog was really fantastic, and he went out hunting with a friend of mine for ducks or partridge or whatever. The first time they shot a bird the dog had to go out on the lake to retrieve the bird and lo and behold, he ran over the surface of the water and did not even sink – retrieved the bird, brought it back to land again. The Newfoundlander did not say a word. The mainlander thought this was peculiar because it was quite unusual for a dog to be able to walk on water. This happened ten or twelve times during the first four or five hours and the Newfoundlander had nothing to say about it at all, so finally the poor mainlander said to his Newfoundland friend, “Have you noticed anything about my dog?” The Newfoundlander said, “Well, boy, I didn’t like to embarrass ya. Sure, the poor devil can’t even swim.”

Well, what is the difference between Newfoundlanders and mainlanders? It used to be a story when the offshore really got going that you could tell the difference. The question was: How can you tell the difference between Newfoundlanders and mainlanders out on the oil rigs? And the answer was that you watch to see who is throwing the bread crumbs to the helicopters. The mainlanders, of course.

> *... the Crosbie family originated in Scandinavia and ... in the ninth century A.D. they moved to France ... So it turns out I am of French descent ...*

Which reminds me, now that I am back in Toronto, that a lady from here wrote me a year ago – after the leadership convention – to tell me that she had traced our family back. We had never traced them back beyond Scotland – we figured that once you came to Scotland that was the end of the world. Anyway, this woman was interested in this subject and she had discovered that the Crosbie family originated in Scandinavia and that in the ninth century A.D. they had moved to France – Picardy. So it turns out that I am of French descent. Then we moved with William the Conqueror and took over the U.K. in 1066 or whenever it was, and finally ended up in Scotland, in Dumfries, and we lived there for hundreds of years and then eventually we moved to

Newfoundland, and so on. Well, where was she when I needed her?

It is an honour to address the Empire Club today. I last spoke to an audience at the Empire Club on November 1, 1979 when I was Finance Minister in the previous Conservative government. The title of my speech on that occasion was "Economic Outlook and Fiscal Planning". Little did I then realize that the political outlook was worse than the economic outlook and that just over a month later the government would fall, a Liberal government with an entirely different economic and political outlook would be returned to power and that I would be replaced as Finance Minister by Allan MacEachen, a finance minister that brought all his budgets UP, rather than DOWN. Which reminds me that after we were defeated (I like to tell audiences this) Jane was a bit despondent, and I of course was chuckling and laughing the next day trying to pretend that it all did not matter because I knew she was going to try to get me out of politics again. I said to cheer her up, "We'll go on a trip. This is a wonderful opportunity to visit China". Which we did , and while we were in China I sent a postcard off to Allan MacEachen with a simple message. I said: "Wish you were here". Now he wishes we were there I guess. And I am reminded of that by the fact that our Ambassador to Tokyo – we visited Japan on the way back – Mr. Bruce Rankin, is here today; he was one of our great Canadian ambassadors and we had a wonderful visit with him in Tokyo.

I have often said of my tenure as Finance Minister and of the 1979 P.C. government that there was time enough to conceive but not to deliver! I certainly expect that as Justice Minister I will have time to both conceive and deliver and I wish to discuss with you today how I intend to proceed in the justice area.

By the way, the most successful Justice Minister we have ever had was my immediate predecessor, Don Johnson, who went to that position at the beginning of June last year. Just three months later, justice had triumphed. The Chief Justice will be hearing this for a second time and probably before I am through he will have heard a lot of these a number of times, but my appointment as Minister of Justice can be explained on the same grounds that John F. Kennedy explained appointing his brother Robert. He said: “I see nothing wrong with giving Robert some legal experience as Attorney General before he goes out to practice law.” I understand that I do not even have to pass an exam to join the Bar of Ontario, so that I can make my fortune when I go out to practise law.

> *... The foundation is being laid for progress in vital areas which were previously marked by confrontation and dispute ...*

I am pleased to stand before you reincarnated as the Minister of Justice and Attorney General of Canada in the new Progressive Conservative government that has been in office now for just over 120 days. I believe we have used our first few months wisely to take stock of Canada’s situation and to consult widely with the Canadian people on how best to proceed in the resolution of major economic and social challenges which must be dealt with and resolved over the next four years. I believe this approach has the full support of the Canadian people who voted in the last election not just for a change of the party in power but a major change in the direction and approach of the federal government.

There are those who criticize the approach the government is taking and see something wrong in the priority now being given to taking stock and entering into consultations with important sectors of our society, including the provinces. But let me assure you that this period of consultation has not been fruitless. The foundation is being laid for progress in vital areas which were previously marked by confrontation and dispute. Nowhere is this more evident than in the area of federal-provincial relations. That the new approach taken by the federal government in this area can yield results is evident in the negotiations now underway between Ottawa and my own province of Newfoundland on the development of the offshore. The federal Energy Minister, Pat Carney, is making real progress toward an agreement. I hope to be able to complement the legislation implementing this agreement with separate legislation which will extend federal and provincial laws of general application to the offshore regions of Canada. This is vital justice legislation which can be achieved only on the basis of federal-provincial co-operation. The offshore negotiations demonstrate that not only the idea but also the reality of justice and a just society is inherent

> *... I believe there is widespread agreement that many of Canada's laws are outdated and do not adequately respond to present-day social needs or properly reflect the changed attitudes and values of Canadians ...*

in the approach of the P.C. government and extends those principles to disadvantaged regions and provinces as much as to individual Canadians. Certainly I have spent my first few months as Minister of Justice acquainting myself with the many and controversial issues in the justice field and determining which issues should be given priority for legislative action and other initiatives.

I believe there is widespread agreement that many of Canada's laws are outdated and do not adequately respond to present-day social needs or properly reflect the changed attitudes and values of Canadians. This is not surprising in view of major changes which have occurred and which will continue to occur in the nature of our society. The business of law reform will clearly be an ongoing task. Man-made law is an imperfect thing and we cannot hope to achieve a perfect system of law any more than we can hope for a perfect society. The challenge we face is to achieve the best that is possible and to ensure that our laws conform as closely as possible with the needs and values of today.

For example, you will recall that the present Divorce Act came into force in 1968. Yet, in the relatively few years which have elapsed since this major overhaul of our divorce laws it has become obvious that the divorce process no longer deals adequately with the dissolution of marriage in our society. I am examining, in consultation with provincial governments and other concerned groups, various proposals for reform including the divorce proposals introduced by the previous government with a view towards the introduction of new divorce legislation within the next several months. This legislation must address the question of the grounds for divorce, whether fault should be retained, the role of mediation services in the divorce process and the question of maintenance for dependent spouses and children. I take the view that our divorce laws should focus more on the consequences of divorce than on the grounds to obtain divorce itself. Of particular importance is the development of an adequate mechanism for the effective enforcement of maintenance and custody orders. Clearly decisive action is needed to resolve our present situation in which more than fifty per cent of all debtor spouses are in default on maintenance payments when studies show that eighty per cent of those in default are able financially to meet their obligations. Our goal in changing current divorce laws must be to make more humane the process by which divorce is granted, to give priority to the needs and rights of the child and to ensure that the legitimate needs of each partner are met insofar as this can be accomplished through the application of the law.

... The law must strike a balance between competing values of the freedom of the individual and the rights of the community ...

I also intend to seek the consent of my cabinet colleagues and the Progressive Conservative caucus for the early introduction of legislation to deal with the problem of street soliciting which has erupted into a major social problem and public nuisance in large metropolitan areas in Canada. It is clear that the only adequate and appropriate means to deal with this disturbing situation is through changes to the criminal code and I will be bringing forward proposed amendments in the near future. The larger question of prostitution itself and the associated issues of pornography and the sexual abuse of women and children must also be addressed. Before proceeding with legislative amendments in this area it will be necessary to complete the review of the Badgley Report submitted last August as well as the soon to be released Fraser Committee Report in consultation with provincial governments and other interested groups. These problems, whose causes are deeply rooted in the nature of modern society, do not admit of easy or purely legal solutions. The law must strike a balance between competing values of the freedom of the individual and the rights of the community and this balance must reflect an underlying social consensus. That is why I will be seeking the views and support of all concerned groups in determining how government should approach these issues.

> *... provisions in this legislation respond to the ... concern over the needless suffering and tragedy which results from impaired driving ...*

As you know, prior to the Christmas break I introduced a Criminal Law Amendment bill in the House of Commons which is now being considered by the Standing Committee on Justice and Legal Affairs. Major provisions in this legislation respond to growing public concern over the needless suffering and tragedy which results from impaired driving. Statistics indicate that on any given night, fully twenty-five per cent of the drivers on the road in Canada have been drinking and six per cent are legally impaired. It is further estimated that alcohol is involved in fifty per cent of all fatal traffic accidents and thirty per cent of all injury-causing traffic accidents. Drunk drivers take the lives of some 2,500 Canadians every year. This is a situation which cannot be allowed to continue. The solution to this problem has three aspects. The first involves the amendments now before parliament which provide for stiffer penalties for the impaired driver who injures or kills and the requirement for mandatory blood samples to correct the deficiency in the present law which allows an impaired driver involved in a serious accident to escape in certain circumstances a breath test to determine his blood alcohol concentration.

The second part of the government's response to the problem of impaired driving will be the development in collaboration with the provinces of a legal system under which serious offenders will be required to undergo treatment to reduce their dependence on alcohol. The third aspect will involve a program of public education at the community level to change attitudes towards drinking and driving particularly among our young people. I cannot emphasize too strongly that education in this field is essential. Your province has spear-headed programs of public education in schools, industry and in the community to alter attitudes conducive to impaired driving. The responsibility to reduce impaired driving must be shared by all sectors of society and real progress in influencing undesirable standards of behaviour can best be made at the community level once parliamentary approval for the new amendments is received. The Department of Justice will launch a program to distribute a community resource kit containing information and materials for community groups to organize local campaigns against impaired driving. May I say that I was very pleased and greatly encouraged to learn that over the past number of weeks, prior to and during the Christmas season, the number of persons in Ontario charged with impaired driving or other alcohol-related driving offences was significantly reduced in comparison to other years.

Looking towards the longer term I hope to bring to completion by 1987 the review of the criminal law initiated in 1979 by my predecessor, Senator Jacques Flynn. The object of the criminal law review, which is being carried out by the Law Reform Commission and the Department of Justice in close co-operation with provincial governments is the major overhaul of the existing Criminal Code enacted by Parliament in 1892. Legislation resulting from this review process will address deep public concern about the effectiveness of the criminal law in controlling crime and securing the safety of law-abiding citizens. All aspects of the criminal law are under review including the range and types of criminal offences, the adequacy of existing penalties and the sentencing process in deterring offenders, the effectiveness of alternative measures less coercive and intrusive than the criminal law and the need to secure a just balance between powers granted to criminal justice agents and the rights and liberties of individuals.

Priority will also be given to the rights of victims in the criminal law – an area of public concern not adequately addressed under present law. To facilitate progress in this area I have recently approved funding for the first national meeting of the numerous independent victims of crime organizations which have sprung up across Canada in recent years. This meeting will take place in Toronto on February 10.

I also propose to seek the support of my cabinet colleagues and my provincial counterparts for the establishment of a system to provide compensation to individuals who have been wrongly convicted under the criminal law. In my view, this is not an area in which the federal government can disclaim responsibility although that has been the approach followed in the past. Our criminal justice system is based on a shared responsibility between federal and provincial governments. The system is not perfect. Mistakes can occur and when they do there should be in place a system involving both levels of government to provide deserved compensation to wrongly convicted individuals. There are problems to be resolved before such a system can be established but I am confident they will be overcome.

... Every Canadian who believes a right guaranteed in the Charter is infringed by an existing law has the right to challenge that law in court ...

Perhaps the most significant innovation in Canadian law since Confederation was the introduction of the Canadian Charter of Rights and Freedoms in April, 1982. In the past three years, the Charter has proven itself to be a powerful instrument of law reform in the hands of Canadians. Every Canadian who believes a right guaranteed in the Charter is infringed by an existing law has the right to challenge that law in court. The result has been a series of important decisions and precedents which will have far-reaching effect in our society. Of course the Charter is still very much a work in progress and the full meaning of many of its provisions has yet to be determined. This is certainly true with respect to those sections of the Constitution pertaining to aboriginal rights. The federal government attaches great importance to ensuring that the interests and way of life of Canada's aboriginal peoples are protected in the Constitution. The Prime Minister has given me the responsibility to represent him in negotiations leading up to the first minister's conference on aboriginal rights to be held on April 2 and 3. I am confident that the ongoing constitutional process to define aboriginal rights will lead to agreements between the aboriginal peoples, the federal government and the provinces and I will certainly do all I can to bring this about.

> *... Of course the Charter is still very much a work in progress and the full meaning of many of its provisions has yet to be determined ...*

The Charter will take on an increased prominence this April when section 15 which guarantees equality rights comes into force. Recognition of the far-reaching impact of the equality provisions of the Charter led governments to delay its coming into force for three years so that existing legislation could be changed where necessary to ensure conformity with this provision of the Charter. Questions relating to the effect of section 15 on such controversial issues as mandatory retirement, combat roles for women in our armed forces, the equal treatment of individuals under the Income Tax Act and a number of other issues must all be addressed. These matters could be left for the courts to decide and certainly the courts will have a major role to play in this area. But the implementation of section 15 will have great significance for all Canadians and Parliament has the responsibility of ensuring that section 15 is applied in a manner which properly reflects the importance attached to the value of equality in our society. I will soon address in Parliament the various issues raised by the coming into force of section 15 of the Charter and indicate how the government intends to proceed in this vital area.

In deciding to adopt a constitutionally entrenched Charter of Rights Canadians demonstrated their faith in the competence and fairness of our judicial system to protect individual rights and freedoms. Skeptics who believed judicial decisions would drain the Charter of life have been refuted. Yet there can be no doubt that the demands placed on the judicial system as a result of an increasing number of Charter cases and an increase in cases of all types before the courts have placed a heavy burden of work and responsibility on the members of the judiciary. As Minister of Justice, I am responsible for representing and defending the interests of the judiciary, which, by convention, is unable to speak for and defend itself. In fulfilling this responsibility, I intend to give priority to reviewing the recommendations of the Lang Report and to bring forward legislation in the near future respecting judicial salaries and benefits. There are, of course, some people in our main opposition party who are kicking themselves that they did not add further provision to the Bill of Rights. For example the right to Life, Liberty and the Pursuit of Patronage. But one tends to forget some of the important things when one is in power.

These are the priorities which I intend to deal with both in the short term and throughout my tenure as Minister of Justice. In deciding how best to proceed in these areas, I intend to engage in consultations with the public hopefully to achieve the broad consensus which is desirable for important changes in the existing law. In bringing forward legislation in the justice area, many difficult issues must be resolved and strong and legitimate differences of opinion reconciled. No one, certainly not the federal government, can claim to have a monopoly on all available solutions. In an increasingly complex society, the law itself has become more complex. It is no longer a subject that can be left to lawyers alone. Psychologists, sociologists and experts of every sort now have a role to play in determining how the law can best address an increasing range of complex social problems. But good law is not made by experts alone however essential their expertise may be to the law-making process. It is made by a government and Parliament which listens and responds to the needs and concerns of ordinary Canadians. An ultimate purpose of the law must be to serve as a unifying force in our society and as an expression of our common purpose. This end is not achieved if the law is not understood by or does not reflect the interests and values of society.

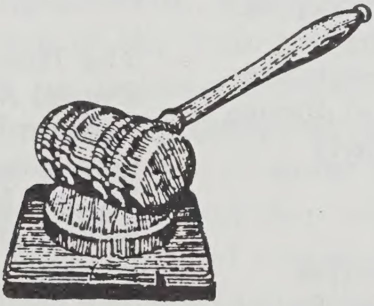
> *... In bringing forward legislation in the justice area, many difficult issues must be resolved and strong and legitimate differences of opinion reconciled ...*

To achieve this goal, I intend to work closely with all segments of society and particularly with provincial Attorneys General who are charged under the Constitution with the administration of justice. We cannot have a credible justice system in Canada if "the law in books" becomes divorced from the "law in action". That is why federal-provincial co-operation in the justice area is essential to our federation. I believe a good foundation for this co-operative relationship, so often lacking in the past, was established successfully at the federal-provincial meeting of Attorneys General which I held in St. John's last November.

The true measure of the success of our society is the ideal we hold of justice and the effort we make to achieve that ideal. There can be no real progress in Canada unless we are committed to building a society that is freer and more just. There is a Spanish proverb which says, "the law is like a spider's web – it traps the fly and lets the hawk go free". That is not the kind of law we want in Canada. We want a justice system which is the same for all and in which all are treated fairly. That should be our objective as Canadians and certainly is my objective as Minister of Justice.

The Hon. William Goldwin Howland, the Hon. John Crosbie, Catherine Charlton and Chris Speyer, M.P.

As the Chief Justice will remember, I have said before, but I think it is worth repeating, whenever I feel too "holier than thou" I remember a quotation from Montaigne which I would translate as "There is no man so good who, were he to submit all his thoughts and actions to the laws, would not deserve hanging ten times in his life". Everyone here would deserve hanging at least ten times I venture to say, and Judge Abella, when I say man I mean woman and when I say woman I mean man. I should have said, "There is no person so good...", but I was giving you the quotation as it was written a hundred years or so ago. So ladies and gentlemen, I leave you with that thought. There is no one of us so good, that if the judges knew what we had been thinking all of our lives, we would not have been strung up long ago.



The appreciation of the audience was expressed by the Honourable Daniel Lang, a Director of the Club.

Head Table

Judge Rosalie Abella
Chairman, Ontario Labour Relations Board
Commissioner, Royal Commission on Equality in Employment

W. Bruce C. Bailey
President, Ontario Dalhousie Law Alumni Assoc.
Associate Lawyer, Osler Hoskin Harcourt

Robert Bedard
Headmaster, St. Andrew's College, Aurora; Formerly Canada's No.1 tennis player for 11 years

James R. Breithaup, Q.C.
Chairman, Ontario Law Reform Commission
Former M.P.P. and Justice Critic, Liberal Party of Ontario

Latham Burns
Chairman, Executive Committee, Burns Fry Ltd.
Chairman, Burns Fry Corporation

Marie Corbett
Toronto lawyer, Chairman of Environmental Assessment Advisory Committee (Ont.)

Robert J. Foster
President, Capital Canada Limited
Chairman of the Board, Theatre Plus, Toronto

Matthew Garfield
Student, McGill University, Former special assistant to our guest of honour

Lorraine Gotlib, Q.C.
Immediate Past President, Canadian Bar Association-Ontario
Partner, Kingsmill, Jennings
Director of the Club

The Hon. William Goldwin C. Howland
Chief Justice of Ontario

The Very Rev. Ernest M. Howse, S.T.M., Ph.D., D.D., Litt.D.
Honorary Chaplain of the Club

The Hon. Daniel A. Lang, Q.C.
Partner, Lang, Michener, Cranston, Farquharson, Wright; Member of the Senate of Canada
Director of the Club

John Laschinger
President, Dale and Co. and a political ally of Mr. Crosbie

Chris Speyer, M.P.
Member of Parliament for Cambridge and Parliamentary Secretary to the Minister of Justice

Gordon Steele
President, Bayridge Corporation Ltd.
Director of the Club

Dr. Dieter Spethmann
Chairman, Thyssen Steel, Germany

THE STEEL CRISIS IN EUROPE WHERE DO WE COME FROM? WHERE DO WE GO?

January 31, 1985

The President
Catherine R. Charlton, M.A. Chairman

C.R. Charlton

Honoured guests, ladies and gentlemen: Our speaker today, Dr. Dieter Spethmann, a top international executive, and Chairman of the Board of the vast Thyssen Ltd., is basically an industrial Titan. As such, it is impossible for him not to be deeply involved in international politics and the course of world trade.

Every child has been taught that for want of a nail a shoe was lost and so on ad nauseum, but I think Alexander Pope described the importance of steel better, almost 300 years ago. Pope wrote:

"Steel could the labour of the gods destroy
And strike to dust the imperial towers of Troy
Steel could the mortal works of pride confound
And hew triumphant arches to the ground."

With due respect, the dyspeptic Mr. Pope seems to have ignored the power of steel to CONstruct – a far greater power than its ability to DEstruct. But all I am trying to say is that you cannot divorce the steel giants from world politics or economics. Nor can they divorce themselves.

No one is more aware of this than our speaker. In a letter to me, from which I am sure he will not mind my quoting, Dr. Spethmann commented, "The European steel crisis by its very nature, is interrelated with the legal and political framework of the European Community." Dr. Spethmann is going to guide us through this fascinating world of steel and international politics. I cannot think of a better guide.

Dr. Spethmann was born in 1926, son of Dr. Hans Spethmann, who was a biographer and historian of economics. Twenty-seven years later he, himself, earned a doctorate in Law and immediately became involved in the settlement of Germany's external debt, on behalf of the United Steel Works of Germany. Three years after getting his postgraduate degree, he entered the steel industry as the personal assistant to the Chairman of Thyssen Ltd. – the position he was to occupy just eighteen years later. Thyssen Ltd. has grown enormously in the interval, and now has subsidiaries, branches and connections too numerous to list, in all parts of the world, including the United States and Canada. The company is a diversified enterprise dealing in steel, specialty steel, capital goods and trading.

I present to you now Dr. Dieter Spethmann, Doctor of Laws, and, as his resumé describes it, in the understatement of the week – "business executive."

Dr. Dieter Spethmann

Madam President, ladies and gentlemen: First of all, I would like to thank you very much for inviting me to Toronto. If I remember correctly, I have my old friend

Peter Gordon to thank for this honour. I was particularly pleased to see him again just now with all his old vigour. By the way, a direct link exists between Peter Gordon and the Royal York. It was here in this hotel that the Canadian steel industry, under his guidance, held the 1981 annual conference of the International Iron and Steel Institute. This was an event which I myself and surely all the other participants gladly recall.

G.R. Heffernan, President, Co-Steel International; His Excellency Wolfgang Behrends, Ambassador, Federal Republic of Germany; and Dr. Dieter Spethmann

But, also as the Chairman of Thyssen, I enjoy being able to visit your beautiful country again. Thyssen is, as you know, a large German industrial and trading corporation. Its range of activities is broadly diversified extending well beyond steelmaking. Manifold business relations exist between Canada and Thyssen. In 1984, we purchased Canadian ore for $45 million. On the other side of the coin, we supplied goods from Germany worth $40 million, above all steel and machinery. When I speak of "dollars" here, I of course always mean Canadian dollars. Thyssen has its own companies in Canada, too. Our subsidiary, Budd Canada in Kitchener, manufactures automobile parts. It has been doing this for some time with great success. I am pleased that directors, whose advice we greatly value, important customers and other business partners of this Thyssen company are present here today.

Another Thyssen company in Canada is Greening Donald in Hamilton which produces wire and wire products, and Temro, a producer of cold weather starting aids. Our trading companies Thyssen Canada and Thyssen Marathon Canada trade in this country in steel, specialty steel and related products. All in all, Thyssen's Canada-based companies realize annual sales of $320 million. I admit, compared with Thyssen's external sales of $15 billion, this is a modest figure. But why should it not increase in the future? Anyway, I can assure you that we at Thyssen feel at home in Canada, not only because of business, but also because of the hospitality extended to us. Both our countries work closely together in many other fields. The political and military co-operation within the Western alliance is an outstanding example. The Canadian NATO personnel are accepted in Germany as friends and hopefully feel at

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... The topic of "European steel crises" is a real hard nut to crack ...

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home there. Many ice hockey players from your country quite obviously do enjoy living in Germany as some even play a dominant role in our national ice hockey team.

Now you certainly have not invited me here to praise Canada and Canadian hospitality, or to advertise for Thyssen. The topic of "European steel crises" is a real hard nut to crack, especially within a speaking time of twenty minutes. On the one hand, I am pleased that the worries of the old relatives across the Atlantic arouse such interest in an aspiring steelmaking country like Canada. On the other hand, the past ten years have been anything but a success story for Europe's steel industry.

Madam President, ladies and gentlemen, whoever speaks of the European steel crisis, means the crisis in the steel industry of the European Community. This crisis has been characterized

- by the crude steel output in the ten member countries of the Community falling from almost 160 million tons in 1974 to 120 million tons last year,
- by the number of steel industry jobs shrinking from almost 800,000 to 450,000,
- by steel being made a national issue in most European countries, with the exception of Germany, with some $50 billion of public funds having been poured into this branch of industry.

This state aid has not halted the shrinking process. But it has completely changed the character of the Common Market. For years, the state of the European steel market has depended to a growing extent on the functioning of the voluntary and administrative measures implemented under the market regulatory system. And for years, steel has been a highly political topic. It keeps the European Court of Justice busy just as much as it does the European Parliament, the Community's Council of Ministers, and even the European summit conferences. This is a very sad state of affairs. The crisis is by no means restricted to Europe. It has its parallels in other large steelmaking regions, such as, in particular, in your southern neighbour's country, the United States, and meanwhile also in Japan.

The year 1974 represented a turning point for the world steel industry, at first noticeable on the demand side. You all know that, following the first oil crisis, economic growth fell off sharply. This had dramatic consequences for steel consumption. Some figures: between 1950 and 1973, the real world GNP rose by an annual rate of five per cent and world steel consumption by six per cent. From 1973 to 1984, the growth rate of world GNP decreased to three per cent per annum, while world steel consumption had to be satisfied with zero growth. Added to this, in the industrialized countries there had been years of sluggish capital expenditure, a change in structure towards the services sector, the emergence of other materials and, last but not least, the more efficient use of steel. The lighter and smaller cars, which nowadays contain so many plastic components, are an example of this. Steel demand on the world market further declined as the threshold and developing countries got into considerable financial difficulties and had to slow down their industrialization process.

What happened to the steel industry in the 1970s represented a clear break with previously accustomed trends. We know that today. Unfortunately, the imperfection of humans – and steelmakers are no exception – prevents them from recognizing such things straightaway. Instead, the decline in steel demand after 1974 was attributed to temporary market difficulties. Unimpressed, the construction of new capacities was continued. It was often not at all possible, for technical or economic reasons, to halt projects already in progress. The conviction prevailed that the market would adapt itself to the new dimensions. Such convictions were held in this country, too. And not very far from here, south of the border in Conneaut, Ohio, there were still plans a couple of years ago to build a jumbo-size steel mill on a green fields site. But steel consumption did not do us this favour, either in the United States, or Europe, or Japan. A wide gap opened between rising supply and falling demand. The markets collapsed and we had a crisis on our hands. The situation was aggravated by the vehement upsurge of new steelmaking industries in certain Far East countries with large modern steel mills.

According to the theory of the market economy, in such a situation cost ratios should determine where capacities survive. The function of the state can, at best, only be to alleviate social tensions. But everything was to happen differently in the steel industries of many countries. Political decisions increasingly replaced the market mechanism. This had always been the case in threshold countries, beginning with financial aid in building up a steel industry, continuing with subsidizing current operating costs, and ending even with export subsidies, as for example in Brazil. In the United States, the government provided support in a quite different way, namely by imposing a very wide range of import restrictions. We German steelmakers understand the motives behind America's steel trade policy, but we are critical of the measures meted out on all sides in the process, with no differentiation being made between guilty and innocent parties when it came to the filing of anti-dumping and countervailing duty suits. We admire the Canadian steel industry for its skill so far in maintaining a special position for itself concerning this aspect of United States-Canadian trade relations. We Germans have not managed to do this. We were tarred with the same brush as the other Europeans by the American steel industry and the American authorities. Why? Because the steel policies of most European countries really are not very exemplary. Nationalizations, high subsidies, the prevention of adjustments, and the retention of old industrial structures – all these things characterized the European steel landscape during the past decade, and still do today, unfortunately.

Steel was once intended to form the foundation of a Europe in which there was to be no more room for nationalistic thinking and where competition based on efficiency was to prevail. In 1950, the French foreign minister, Robert Schuman, proposed that the European nations form a community for coal and steel. On April 18, 1951, France, Italy, Germany, and the Benelux countries signed the European Coal and Steel Community Treaty. Since then, special European legislation has applied to coal and steel. This legislation is supranational by nature and, in terms of the competency of the European authorities, is far more comprehensive than that allowed for by the European Community Treaty signed in Rome in 1957.

It is worth having a look at the text of the ECSC Treaty. In Article 2 it states: "The Community shall progressively bring about conditions which will of themselves ensure the most rational distribution of production at the highest possible level of productivity." In plain language, this means that competition based on efficiency should decide who produces how much steel and where it is produced. One particularly interesting sentence appears in the Treaty a couple of lines later. In Article 4 it states: "Subsidies or aids granted by States, in any form whatsoever, are recognized as incompatible with the common market for coal and steel and shall accordingly be abolished and prohibited."

... When seriously put to the test, the ECSC Treaty proved to be worthless ...

Until 1974, the ECSC was predominately favoured by clement weather where steel was concerned. Steel was in demand, good capacity utilization was enjoyed for the most part, profits were realized, and the future of European steel seemed untroubled. All this changed fundamentally when the European steel industry was increasingly confronted with the problem of structural overcapacities after 1974. Within a few years, capacity utilization rates fell to fifty per cent and lower. When seriously put to the test, the ECSC Treaty proved to be worthless. Instead of competition based on costs, qualities, and terms of delivery, there was soon only competition based on subsidies.

To understand the reasons that led to this state of affairs does not imply approval of the subsidies which are in violation of the Treaty. In many European countries the steel industry is located in structurally weak regions. In such regions it is simultaneously the dominating industry, and alternative jobs cannot be created overnight either. Necessary capacity adjustments have therefore been postponed. This situation has been all the more applicable as the steel industries in most EC countries have come increasingly under state influence.

It is in this way that the practice of subsidization has spread throughout Europe, growing in dimension from year to year. I have already mentioned the figure: around $50 million have meanwhile been mobilized by Germany's neighbours for their steel industries. These subsidies are having a catastrophic effect on competition. We German steel producers could tell you a tale about that. The best productivity is worth little if in other countries one quarter of the costs are reimbursed from public funds. This has led to the share of imports on the German market rising from twenty-five per cent to forty per cent, with prices being inadequate. We in Germany produce first-class steel. But we only obtain prices that are well below those of Japan and the United States of America.

Under these circumstances, the various efforts to bring about a European market regulatory system became vital to us. In the beginning, efforts were concentrated on voluntary measures. At the end of 1976, a system called Eurofer was set up. However, since not all of those who signed this gentlemen's agreement were gentlemen, problems arose. In 1980, this led to the introduction of production quotas based on Article 58 of the ECSC Treaty. In the years that followed the corset of production quotas was tied even tighter and refined by the EC Commission. The quota system was complemented by minimum prices, while self-restraint agreements were concluded with third countries as a safeguard against imports from outside the system. But even a workable crisis management is no guarantee for reducing a single ton of overcapacity. Without this fundamental problem being resolved, there will be no return to fair competition. The EC Commission estimated the overcapacity in Europe in 1980 to be around fifty million tons of rolled steel. The so-called Brussels restructuring concept envisages a capacity reduction of around thirty million tons by 1985, with the German steel industry having to reduce its capacity by around six million tons. The period of grace granted for steel subsidies is also due to end in 1985; at any rate that is what is stated in the subsidies code agreed upon by the governments of the EEC countries.

In contrast to other countries, companies in Germany already began at an early stage to reduce their technical and personnel capacities. This was extremely costly, and has reduced most companies' wealth. Through what is ultimately a brutal use of tax money, our European neighbours made it necessary for German steel companies to ask their government for state aid to be able to implement new adjustments. The total volume of the German steel aid program – leaving aside the special case of the Saar region – amounts to $1.5 billion, and in most cases the granting of the aid is coupled with the obligation of repayment. Therefore, this program is only small compensation for the damage done to us by years of European law violations by others. German producers receive state aid amounting to $10 per ton. Compare this with $100 to $125 per ton paid elsewhere. Better than many words can do, this comparison illustrates what matters most to us: to finally break the vicious circle of subsidies after 1985. I say this not only with Europe in mind. Almost all the countries and regions that produce steel and offer it on the world market have a long list of sins which unfortunately is still growing. Subsidies and overcapacities – these are the most urgent problems. But their solution, of course, does not mean that Europe's steel industry will have reached safe harbours.

... Steel continues to be the most important industrial material ...

The impossibility of accurate forecasting makes it advisable to dispense with quantitative predictions. Nevertheless I would like to raise a fundamental question: do we still need steel production at all in the traditional industrial regions? The main weight of the world steel industry has, of course, shifted, at first through the emergence of Japan, and then through the many threshold and developing countries acquiring their own steel industries. This process will continue. But in spite of it, I hesitate to write off totally all the traditional steel-making regions. Steel continues to be the most important industrial material. An industrialized country such as Germany with its great variety of industries, simply has to maintain its own basic source of supply to a certain extent. So that no misunderstandings arise: other industrialized countries also justly lay claim to this right. This is due to the central role held by steel. Without the technological potential of the German steel industry, the competitive position of our steel processing industries would be a much weaker one. It is all too frequently overlooked just how closely the research and development departments of steel mills work with those of the capital goods and automotive industries.

All those affected by the European steel crisis have had to pay dearly. The notion of a united Europe has also suffered damage. When even prime ministers argue at summit meetings whether a few thousand tons of steel should be produced here or there, then this cannot be a particularly grand sight for the citizens of Europe. When generous agricultural subsidies paid by the German government are dragged into the European discussion on steel subsidies, the idea of a united Europe is degraded to the level of horse-trading. The negotiations on Spain and Portugal becoming members of the European Community have not only ground to a halt just because of oranges and wine; Iberian steel is also proving to be a large obstacle.

It is my firm conviction that subsidies are the worst form of protectionism. The steel industry unfortunately provides plenty of examples of this worldwide. But subsidization and protectionism are not restricted to steel. I have been told that, in your country too, there are schools of thought, and sometimes also actual moves, to give greater priority to the protection of your country's own industries rather than to the optimum supply of your country with products and technologies. The civil and military shipbuilding industries are worldwide examples illustrating this problem. The automotive industry is more and more becoming such an example. While the problem of imports from the Far East is being increasingly felt as oppressive in Detroit, the practice of subsidization is already spreading in the British and French automotive industries.

We must all work towards ensuring that the successes of international economic integration that have already been achieved are not sacrificed on the altar of nationalistic interests. Europe, but not only Europe, has sinned greatly with regard to its steel industry. This has to stop. My hope is that the revival of the world economy will prove to be more than a cyclical flash in the pan. It will then become somewhat easier for us to find our way back to the fundamentals of a free world economy. The practising of these fundamentals is what matters. Or to put it in plain terms: businessmen should be looking after their customers, not sitting around in the anterooms of government authorities.

The appreciation of the audience was expressed by Kenneth G. Whiteside, a Director of the Club.

Head Table

John D. Allan
President and Chief Executive Officer,
Stelco Inc.

His Excellency Wolfgang Behrends
Ambassador, Federal Republic of Germany

Siegfried Buschmann
Senior Vice President and Chief Financial Officer, The Budd Company, Michigan

Paul Cantor
Executive Vice President, Canadian Imperial Bank of Commerce

Chris Christofi
Grade 13 student, North Toronto Collegiate

G.R.(Jerry) Heffernan
President, Co-Steel International Ltd.

Bill James
President, Falconbridge Limited

The Rev. Lawrence Likness
Pastor, Christ Lutheran Church and President Eastern Conference of Evangelical Lutheran Church of Canada

Ian D.C. McPhail
Barrister and Solicitor
Director of the Club

Richard Meech, Q.C.
Senior Partner, Borden and Elliot; Chairman, Howden Group PLC; Director, Budd Canada Inc.

H.J. Schmidt
President, Thyssen Canada

Roland Steinbrink
Manager, Canadian German Chamber of Industry and Commerce Inc.

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J.H.(Jake) Warren
Vice Chairman, Bank of Montreal

Kenneth G. Whiteside, C.A.
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Arthur Zwingenberger
President, German Canadian Club
President, Lux & Zwingenberger Ltd.

Allan Gregg

President, Decima Research Limited

BUSINESS-GOVERNMENT RELATIONS IN A CHANGING PUBLIC OPINION ENVIRONMENT

February 7, 1985

The President
Catherine R. Charlton, M.A. Chairman

C.R. Charlton

Honoured guests, ladies and gentlemen: I find it interesting that every major development in life, good or bad, begins as a very simple object and, if it has any viability at all, develops into a more and more complicated structure. The outrigger canoe has become the great ocean liner, or the cruise ship of today; the canvas and wood machine which the Wright Brothers lifted a few feet off the Kitty Hawk sands has developed into the sophisticated stratosphere flyers of the 1980s. The human race itself and the complicated society in which it lives, began, I am reliably informed, as a simplified one-cell amoeba in the marshes of Africa!

To get down to the business of the day, I find in reading our speaker's background, that this law of simplicity to complexity is also true of modern public opinion research. You have heard, no doubt, of the nine tailors of Dooley Street in London, who sent a petition to King Charles II, which began: "We, the people of England....". Well, we have come a long way! Today, public opinion researchers have to be specialists in a ramified and complex business, which has, in the last thirty or forty years, separated and defined and assessed the various factors which create the attitudes of a particular universe.

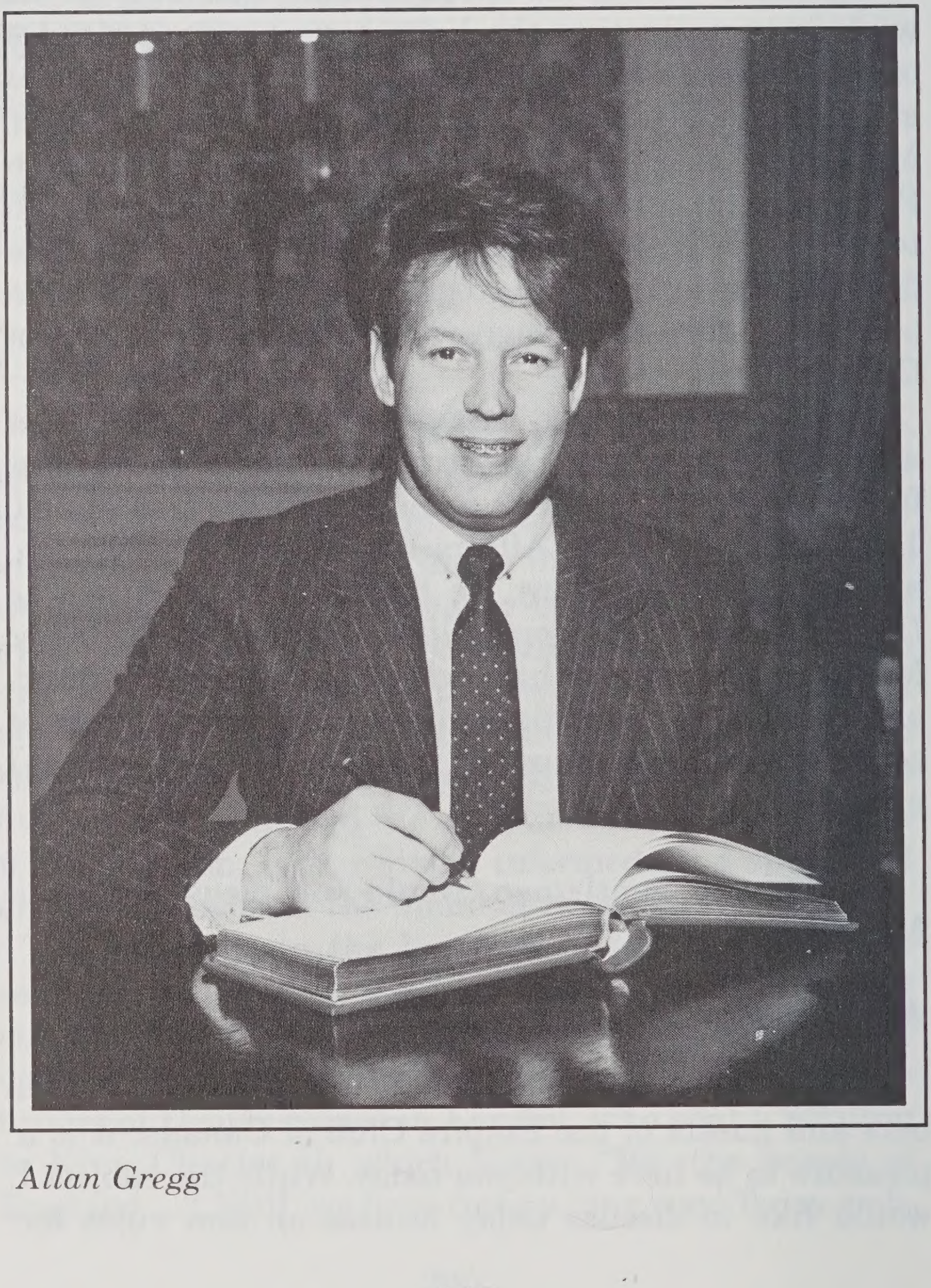
Mr. Allan Gregg, our speaker today, is known for his work in investigating the links between the attitudes of opinion leaders and the general public, and the social antecedents of political behaviour. Born in Edmonton, Mr. Gregg obtained his B.A. and Master's degree in Political Science at the University of Alberta. From 1976 to 1978, Mr. Gregg developed what is claimed to be the first "in house" polling program ever conducted for a political party – the Progressive Conservative Party of Canada.

In 1979 he founded Decima Research Limited, of which he is president. His firm is now one of the largest full-service public affairs research houses in Canada. Together with Public Affairs International of Ottawa, an interlocked company, he launched, in 1980 – *The Decima Quarterly Report: Public Affairs Trends*. Today, Mr. Gregg is going to share with us some of his findings and conclusions resulting from his intensive study of social trends, their cause and their influence on political events.

Ladies and gentlemen, would you please welcome Mr. Allan Gregg.

Allan Gregg

Madam President, head table guests, esteemed members and guests of the Empire Club of Canada, it is a pleasure to be here with you today. While the subject I would like to discuss today focuses on new rules for business in a changed public opinion environment, it is comforting to note that some age-old truisms continue to endure in the face of change. One seems to be that almost everyone wants to go to heaven; another is that next to no one wants to ever die.



Allan Gregg

While things are still far from perfect in our country, all the signals around us suggest that we are a lot closer to heaven in 1985 than we have been in many years. We appear to be in a bull market; wage demands and labour disputes have been relatively stable; with some luck on the dollar interest rates could very well continue their moderating trend; and while some sectors experience continuing difficulty and consumer spending is still somewhat sluggish, corporate balance sheets are being steadily repaired after the devastation of 1982-1983 and economic recovery seems a real possibility.

But when you take a step back from all this cheer, it is interesting to note just how much the posture of our federal government has been linked to the health of our business community and ergo, our economy, over recent years. In fact, few today would dispute the notion that what government does has a tremendous impact on not only our business climate but the very direction and manner in which business pursues its corporate goals.

While we acknowledge the linkage between business, government and the economy, it seems to me that far too little thought or resources go into the understanding of *why* government does what it does or in many instances why it does not do what business would like it to do. Business seems to have no difficulty evaluating the impact of government initiatives or making their public pronouncements pro or con on that basis of this evaluation. But otherwise, the posture of business almost seems to reflect a belief that if government does something in businesses' interest it is because they made the "right" decision and if government does something against businesses' interests, it is because they made a "wrong" decision.

This type of thinking goes back a long way and finds its sentiment in slogans that are probably familiar to us “the business of business is business”; “what’s good for General Motors is good for America”; “we’ve got to get government off the backs of business.” But these slogans and this sentiment fail to take account of the fact that in the reality of a post-industrialized North America, if business has not been able to escape government then perhaps it has even grown to *need* government. Presidential aspirant Gary Hart both recognized and took advantage of this reality when he told America that he was prepared “to get government off the backs of business.... when business got its hands out of government’s pockets”.

The most current proof of the rightness of this time-worn analysis is the massive defeat of a government that was continually seen doing things which were not in business’ best interests, and the election of a government that clearly represented a more pro-business bias.

As a public opinion pollster, practising in the area of business-government relations, I must confess that I find both this analysis and the proof less than compelling. Corresponding with conventional wisdom, the evidence of public opinion polling makes it abundantly clear that the federal Progressive Conservative government received a resounding mandate for change on September 4 of last year. This same evidence, however, suggests the nature of that public mandate and the nature of the desired change were significantly different from that which many in the business community would expect or like.

We believe that the Canadian people underwent a profound change in 1982-1983. That change had been underway for almost a decade before, but the recession seemed to traumatize the Canadian people. Since the mid 1970s Canadians sensed that "something was wrong in Canada", they recognized that problems for them and the country were getting worse but refused to view these problems as anything but aberrations.

By 1982, Canadians had never been more dissatisfied with their own personal circumstances or the condition of the country. Yet they continued to cling to their traditional beliefs that the problems they were witnessing around them were solvable and they remained unshakably optimistic about the future. In fact, the recession simply heightened and exaggerated that sense that "something was wrong". But unlike earlier times when this "sense" simply caused Canadians passive discomfort and complaint, the trauma of the recession caused Canadians to change their attitudes and their behaviour in a very fundamental way.

> *... the trauma of the recession caused Canadians to change their attitudes and their behaviour in a very fundamental way...*

This change was abundantly clear in consumer borrowing, savings and spending patterns, but was even evident in much more far-reaching ways. Faced with a set of circumstances that contradicted both their optimism and their traditional beliefs, Canadians undertook a wholesale re-evaluation of what was and what was not an appropriate course of action for them as individuals, and the country as a nation, to take in the future. And the conclusion they reached was that the old ways of doing things simply were not working. Many even went further and concluded that in the future new solutions and new behaviours would be required to face new challenges. In essence, Canadians came to acknowledge that we had entered a new era and that simply "doing better that which we had already done before" was a prescription for stagnation.

We saw evidence of this "re-think" again and again in our data. In a country that had been historically characterized for its pragmatic appreciation of government intervention into the business and private sector, we saw a population ascribing direct liabilities to this form of government initiative. As concern about unemployment increased, support for government spending to create direct public works jobs or to assist financially ailing industry as a means of job support dropped dramatically. And in a nation that had always displayed deference to the country's major institutions as the principal solver of individual problems, we saw a population emerge from the recession with a renewed sense of personal powerfulness and individualism.

What appears to have happened is that this wholesale re-evaluation of our traditional approach to problem-solving produced a new public definition of the proper role for business, government and the individual. Increasingly, we witnessed a population that was prepared to turn away from government and towards business as the primary initiator of macro-economic solutions for the country's problems. Having arrived at this conclusion however, they still wondered whether business could or would provide these solutions on their own. Rather than viewing government with no role therefore, the public began to demand a new role for government – as a facilitator or catalyst to these largely private sector initiatives. And at the same time, Canadians were saying that they themselves were prepared to assume a larger role in problem-solving and that they would be far more wary of traditional authority and the solutions put forward by traditional decision-makers.

Against this background, it is not surprising that an opposition party which had been constantly attacking prevailing government solutions and which adopted a more individualistic and pro-business posture would find favour with the public. Similarly, it is also not surprising that a governing party which had given birth and presided over prevailing solutions would appear to be an apologist for the status quo and therefore non-viable as a future problem-solver.

> *... Canadians never lost faith in our country, our system of government or our institutions ... They lost faith in those who were running our country ...*

For many, the manifestation of this trend, with its supporting evidence in the United States and Britain, was interpreted as a global swing to the right, of which Canada was simply a part. Analysis of the facts, however, suggests that nothing could be further from the truth. Even though our evidence suggests that Canadian public opinion has gone through some dramatic changes in recent years, it also shows that Canadians never lost faith in our country, our system of government or our institutions. What they did lose faith in and began to question was the way our country, our government and our institutions were being run. More precisely, they lost faith in those who were running our country, government and institutions and who continued to tell them that we had "no option" but to do things as we always have done, in the face of the publicly-based conclusion that the old rules simply no longer worked. They arrived at that conclusion not on the basis of ideological commitment, but on the same basis that Canadians have always based their conclusions – on pragmatism. For the average Canadian the calculation was simple – the old way of doing things could no longer work because they had seen problems grow worse and more complex, as the old solutions were being prescribed.

So when Canadians demanded change, they called for a change not to the system, but to the way the system works – a change in process. What has happened is that in rejecting the old rules, the Canadian public has adopted a conservative, pro-business agenda as their own. They believe something must be done to control our spiralling deficit; that business must be given a larger role in the country's economic affairs; that investment is a necessary prerequisite of job creation; that initiative and entrepreneurship is to be valued and encouraged. They had bought these as *goals*. But they still are an awfully long way from buying the conservative, pro-business *means* of achieving these goals.

Because you see, Canadians do not take it for granted that a decision that is in businesses' best interest is the "right" decision or a decision that is not in businesses' best interest is the "wrong" decision. Like so many in the business community, Canadians also want to go to heaven but they do not want to die. *They* believe that a decision that is in *their* best interest is a correct decision and one that is not, is a wrong decision – and in many instances, they do not accept that their interests are coincident with businesses' interests.

We see this tendency again and again in our public opinion data. Canadians want to see the deficit controlled because they recognize that in reducing their own deficit, benefits have accrued to them directly. They also have come to realize that servicing the debt affects their taxes and therefore must be reduced. But because their frame-of-reference for relating to the deficit is largely personal, they tend to view it as simply a management problem. In fact, only nine per cent of Canadians view increased taxes or reduced social services as a preferred option for reducing the deficit, over the elimination of waste and inefficiency, the sale of unprofitable crown corporations or the reduction of incentives to business. As a consequence, they do not acknowledge the tough options government faces as options at all. In fact, almost sixty per cent today say that it is the average Canadian and not government, business or labour that is being asked to shoulder a disproportionate amount of responsibility in reducing the deficit.

They also demonstrate no particular attachment to crown corporations as such. In fact, they see the private sector as much better managed and efficient than public sector organizations. But they *do* value and see many of the services provided by crown corporations as essential to their and the nation's well-being. Much more importantly for the purpose of the public debate as this issue unfolds, Canadians associate the sale of crown corporations to the private sector with the diminution or possible curtailment of these services.

What we find in fact is that while the public have been increasingly looking *to* the private sector as the preferred provider of jobs and the engine of economic growth, they have also been increasingly looking *at* the private sector. And in the last year, they have developed some severe reservations, not so much about the private sector's ability to provide these initiatives, but its very willingness to do so. Having come to the conclusion that business is best able to do these things, they expect the private sector to deliver. To date, the public have been telling us that those expectations are not being met.

Attached to this, Canadians are also questioning the worthwhileness of direct government incentives to business as a means of stimulating the growth they desire. In this regard, Canadians almost seem to appreciate the concept of paper entrepreneurship and believe that those businesses which are most able to take advantage of government incentives, are also most likely to abuse them. In fact, Canadians do not view big business as entrepreneurial at all, and consequently are focussing more and more on small business, and not all business, as the key to economic recovery.

Similarly, while Canadians now make the linkage between investment and jobs, they continue to be wary of some investment, especially from foreign sources. They see nothing intrinsically wrong with foreign capital, but question the motivation of those who may wish to invest here. In the words of one respondent on the subject of the new Investment Canada Bill, there is a hope that the act will "encourage investment and not just takeovers".

The pattern is clear. Canadians find current circumstances unacceptable and continue to believe that the problems plaguing the country are solvable. They now believe, however, that these problems will only be overcome if we adopt new approaches and ideas as solutions. As part of the new rules they seek, they also accept the basic premises and goals of the business community and new administration in Ottawa. But for the very same reason they acknowledge the need for change, they are reticent to accept the business prescriptions to achieve these goals. This unique public opinion environment therefore produces an equally unique challenge for both government and business.

For government, the ultimate choices are absurdly simple, yet the means of pursuing these choices will be excruciatingly difficult. On one hand, they can move forward, full speed ahead and damn the public opinion torpedoes. On the other hand, they could continue to muddle through, making incremental changes to the status quo. The first course would be one that would probably be preferred by the business community; the second the preferred course, if you were only looking to the polls. But in a perverse way – and this is what makes the current public opinion environment unique – neither course is politically viable for government.

... Business has even more to gain or lose in this current environment than government ...

To bull ahead pursuant to the (publicly agreed upon) conservative, pro-business agenda in the absence of more public consensus as to the means of achieving these goals, is to risk the very goodwill and public support that gives government the currency to act to mobilize public opinion in support of change and tough decisions. To support the status quo and to offer only incremental change would amount to flying in the face of the demand for change and would dash the expectations that have been deposited with the new government. All this is a very long way of saying, if you want to go to heaven, you are going to have to die.

Because the real challenge is not just to government, but also to business. Business has even more to gain or lose in this current environment than government. And what is up for grabs is not share of market or market penetration, but public opinion and existing support for business goals. Government has chosen to bridge conflicting public opinion demands by demonstrating its commitment to changing the way government works. Towards this end, they are about to embark on a consultation process with all sectors of society, the likes of which we have never witnessed before.

The reasons for this are patently clear. First, consultation corresponds with the public's belief that you must change the process of decision-making before you can substantially alter the decisions that are being made. Secondly, it gives the government the time and opportunity to raise the level of public debate and consciousness as to what options are really available in the context of the public demand for change. And thirdly, it will force other players in the system to share responsibility for decisions affecting change.

And because this government enjoys, and continues to enjoy, unprecedented support from the public, there is a very high likelihood that they will be able to pull it off. But if they do not, it will not be the publicly endorsed change in process that will be blamed. It will be the participants who fail to make the process work.

The business community has been saying for years, if only government listened to the private sector more, it would make better decisions. The public has bought this. We have been saying if only government would create a climate where business would prosper, then all

Canadians would prosper. The public is also prepared to buy this too. But they have bought these claims not on the basis of any ideological commitment or private sector zeal. They have bought this because in their view the old rules were not working and therefore new ones are required.

The burden of proof therefore has now shifted. The public wants to believe new rules will work. But because they have been traumatized by recent events, they also demand evidence before they are prepared to translate their belief in the need for new rules, into support for their implementation.

Government relations in this particular public opinion environment therefore will require a whole new posture and vocabulary. It will require that you articulate your goals in public and not in private or business terms. And it will require *more* not less demonstrations of public responsibility, as business *and* government move forward together to convince the public that what is in your interest is also in theirs. As a businessman and as a Progressive Conservative, I can only hope we are up to this challenge.

The appreciation of the audience was expressed by G. Alex Jupp, a Director of the Club.

Head Table

Ed Arundell
Manager, Public Affairs,
Abitibi-Price Inc.
President, Public Affairs
Assoc. of Canada

Norman Atkins
President, Camp Associates
Advertising Ltd.
Chairman of the last
Progressive Conservative
National Campaign

Jerry A. Collins
General Manager, Board
of Trade, Metro Toronto
Director of the Club

Rebecca Finlay
Grade 13 student,
Lawrence Park Collegiate

Nancy Jamieson
Executive Director,
Ontario Task Force on
Financial Institutions

G. Alex Jupp
Vice President, Public
Affairs, Molson Ontario
Breweries Limited
Director of the Club

Patrick Martin
Associate Foreign Editor
Globe and Mail
Co-author of *Contenders: The Tory Quest for Power*

Susan Murray
President, S.A. Murray
Consulting Inc.

Rev. Charles Plaskett
Executive Director of
Confederation of Church and
Business People, Minister in
the United Church of Canada

Tom Scott
Chairman and Chief
Executive Officer, The
Sherwood Communications
Group Ltd.

Rosemary Spiers
Queen's Park columnist for
the *Toronto Star*

The Hon. William G. Davis, P.C., Q.C. and Mrs. Kathleen Davis

TESTIMONIAL DINNER

February 11, 1985
Albany Club

The President Catherine R. Charlton, M.A.	Chairman

Program

Grace	The Rev. Reginald Stackhouse, L.TH., Ph.D., M.P.
The Loyal Toast	MGen. Bruce J. Legge, C.M.M., K.St.J., E.D., C.D., Q.C.
Introduction of Head Table	Catherine R. Charlton

Tributes

H. Ian Macdonald, O.C., Past President
H.N.R. Jackman, Past President
Willis Blair, Director
E.B. Jolliffe, Q.C., Past President
Reginald Stackhouse, M.P., Past President
The Hon. Mr. Justice J.H. Potts, C.D., Past President
Sydney Hermant, Senior Past President
John MacNaughton, Past President
Margaret Scrivener, M.P.P., Director

Toast to Kathleen Davis

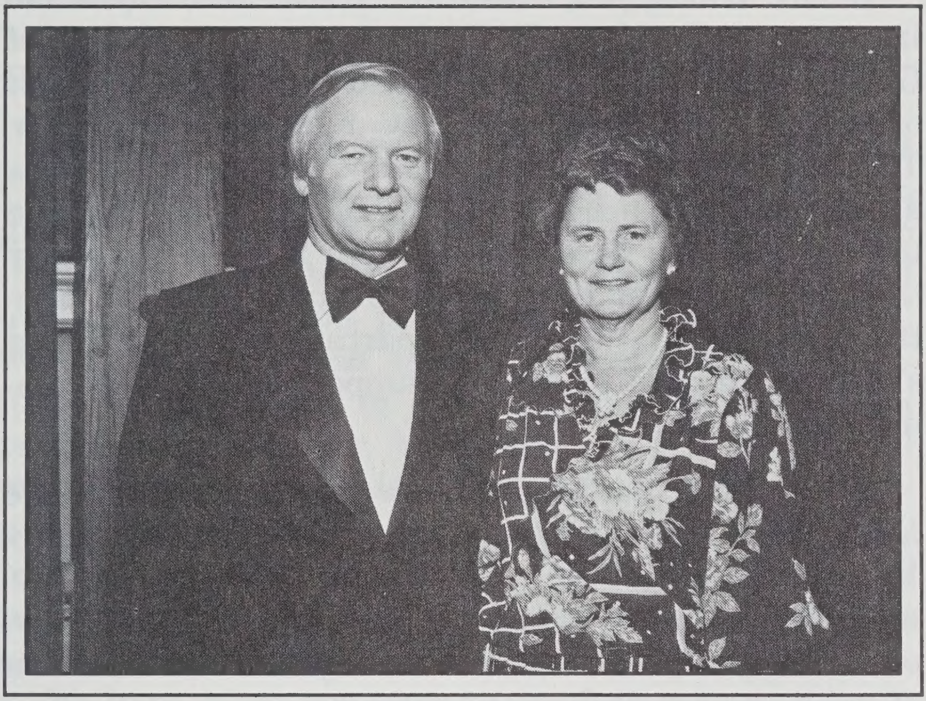
John MacNaughton

Madam President, Mr. and Mrs. Davis, distinguished guests and ladies and gentlemen: I am very grateful, Madam President, that you have asked me to participate in the program of tributes and toasts this evening. Like others in this room I feel a special debt of gratitude to our guests of honour and I am very pleased to have an opportunity to acknowledge it publicly.

I feel, Madam President, that I should repay your kind invitation to propose a toast by complying with the two-minute time limit you have set, but I confess at the outset that, despite the best of intentions and careful editing during my preparations, I know that I will run out of time before I run out of tributes and therefore I request that you indulge me slightly. I am not overly contrite in requesting this indulgence because you must surely have known, Madam President, that the instinct for brevity and Empire Club past presidency are mutually exclusive human conditions.

Ladies and gentlemen, over the last several weeks the Davis's have been feted publicly and privately for their contributions to good government and leadership in Ontario and Canada. Their distinguished public service career is cause for celebration and expressions of appreciation, but for me the Davis's achievements on the provincial and national stage pale when compared with the reason I feel personally indebted to them.

The reason is very simple. It was in the Davis leadership campaign headquarters on Grenville Street in December of 1970 that I first met my wife, Gail. It was at the Davis victory party in March of 1971 that we had our first date and our first dance. I do not want to di-



The Hon. William G. Davis, P.C., Q.C. and Mrs. Kathleen Davis

minish the importance of constitutional accords, leadership in the field of education, economic perspicacity or electoral triumphs but from my experience they do not rank with inspirational match-making. On the eve of our wedding Gail received a very thoughtful and touching handwritten letter from Kathleen Davis. In it Mrs. Davis conveyed good wishes and reminded Gail of the required ingredients of a bride's wardrobe – something old, something new, something borrowed, something blue and a good luck penny in your shoe. It enclosed a good luck penny which Gail did put in her wedding shoe and it has surely been part of bringing us happiness.

In the ensuing years I have often remembered the good wishes from Kathleen Davis and hoped that I would have an occasion to publicly thank her for her thoughtfulness. Tonight is that occasion.

Before asking you, ladies and gentlemen, to join me in a toast to Kathleen Davis, I want to say on behalf of Gail, my parents, and myself, and I am sure on behalf of everyone gathered here, how much we admire her. The Davis's have for many years served our province as a partnership – each of them has had an important role to play and they have fulfilled their roles in a manner that has confirmed that in a true partnership the identity and contribution of each partner can be enlarged and strengthened by mutual support and shared commitment.

Mrs. Davis, the Empire Club and its members have a reverence for tradition and a respect for high office. In you we have seen an individual who has demonstrated the importance of traditions: the tradition of marriage, the tradition of family and the tradition of public responsibility and service.

Whether looking at your Christmas card each year and watching your family growing in maturity and recently in number, or watching you personally campaign during elections or seeing you receive people – from members of the Royal Family to other world leaders to everyday Canadians – it has been evident that you have taken your responsibilities seriously. You have exemplified the best in our country's traditions and through your position you have represented us at home and abroad in a way that has distinguished us all. For this you have earned our respect, you have earned our affection and you have earned our gratitude.

I am privileged to ask those gathered here to rise and join me in a toast to your health and your continued success and happiness. Ladies and gentlemen, to Kathleen Davis.

Presentations to Mr. and Mrs. Davis

C.R. Charlton

John MacNaughton's well-chosen remarks make it clear to all of us here tonight that there could be no greater honour for the Empire Club of Canada than to induct you, Mrs. Davis, as an honorary life member of our club. This scroll proclaims this rare distinction, which recognizes and salutes your outstanding qualities. We invite you to join us at our meetings as a participating member. At the same time, I am pleased to present this memento of tonight's occasion. The Empire Club has recently originated a Past Presidents' medal, and it is the design of this medal which has been incorporated in this unique brooch for you to wear with an Empire Club scarf.

We hope when you wear them, that they will recall tonight's dinner and remind you of our high regard and warm affection.

Ladies and gentlemen, on an occasion such as this, one is reminded of the passage of time, with its beginnings and its endings; its milestones and its unforgettable moments; and one observes that human progress occurs in stages, often returning to familiar themes.

Mr. Davis, your addresses to the Empire Club over the past nineteen years are milestones not only for the Empire Club, but for Ontario and for Canada, and certain themes do reappear. When Colonel Ted Royce introduced you on your first visit in 1966, he noted that it was the "occasion of the Annual Ladies' Day Luncheon", a singular event in any year of the club to that date; and then he went on to introduce not only you, then Ontario's Minister of Education, but a co-speaker, the

Hon. Paul Gerin-Lajoie, then Minister of Education for the province of Quebec. In doing so, he unwittingly introduced two themes that were to recur throughout the ensuing years: first, that of female participation in the Empire Club of Canada, and secondly, the interrelationship of Quebec with Ontario, and by implication with the rest of Canada. I suspect that opinions would vary across the room as to which was the more earth-shaking.

I do note, with regard to the participation of women in this club, we have now progressed from the "Annual Ladies Day" luncheon of 1966, to the admission of women as members, to the election of the first woman director, to the election of the first woman president of the Empire Club. You will be interested to know that this is the first time that the Empire Club has invited guests to one of its executive dinners, including women guests. This is progress. As the saying goes, "you were there", Mr. Davis.

In a different sphere, your speeches will stand as milestones in the unfolding of Canadian constitutional history. In 1966 you were concerned with provincial responsibilities in general and education in particular. Your first address as Premier in 1971, however, foreordained a wider perspective on Canada, beginning with the national economy and the national dream, followed by Ontario's role in Confederation and to the constitutional proposals. I am glad to say that these addresses will be preserved for the public record via the Empire Club *Yearbooks,* which are published by the Empire Club Foundation.

Tonight we have celebrated another Empire Club tradition – that of the well-spoken word. Those who have participated in this program have displayed the elequence that is so highly prized by us. Their presentations have spoken for the Empire Club, and the Empire Club speaks for loyalty, for honour and patriotism, for constancy and dignity. These qualities are old-fashioned, but not outdated. Because of our long-standing recognition of your leadership in perpetuating these values, we are here with our guests this evening to celebrate your twenty-five years of service to Ontario and Canada.

As Minister and Premier you have favoured the Empire Club of Canada with nine addresses, and so it is fitting that we should return the compliment. As a mark of our great esteem, it is a pleasure to induct you as an honorary life member of the Empire Club of Canada and, together with this scroll, to present you with this memento of the occasion.

I should add that these are the first cufflinks ever to be cast with the Empire Club crest, and are intended to remind you of tonight and of your long association with the club.

Mr. Davis greets Mrs. Rita Charlton

Mr. Davis then addressed the meeting.

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The appreciation of the audience was expressed by Margaret Scrivener, a Director of the Club.

Head Table

Setrak Adourian
President, Adourian's Rug Galleries Ltd.
Director of the Club

Brian G. Armstrong, Q.C.
President, The Albany Club of Toronto
Partner, Perry, Farley and Onystchuk

Madge Hermant
Past President, The Association of Women Electors

Sydney Hermant
Chairman, Imperial Optical Ltd.
Senior Past President of the Club

MGen. Bruce J. Legge, Q,C, C.M.M., K.St.J., E.D., C.D.
Partner, Legge and Legge
President, The Empire Club Foundation
Past President of the Club

Laura Legge,Q.C.
Senior Partner, Legge and Legge
Treasurer, The Law Society of Upper Canada

Margaret Scrivener, M.P.P.
Member of Legislature for St. David's Riding
Chairman-elect, Criminal Injuries Compensation Board
Director of the Club

Richard Harding Scrivener
Consulting Engineer

Lindsay K. Shaddy
Articling student at Porter and Posluns
Director of the Club

The Rev. Dr. Reginald Stackhouse, M.S., LTh., Ph.D., D.D., M.P.
Member of Parliament for Scarborough West
Past President of the Club

Katharine Graham

Chairman of the Board, The Washington Post Company

CANADA AND THE UNITED STATES – A TWO-WAY STREET?

February 14, 1985

The President
Catherine R. Charlton, M.A. Chairman

C.R. Charlton

Honoured guests, ladies and gentlemen: Halfway through the club year, I have come up with what posterity will probably refer to as "Charlton's Law." It goes like this:

> "The difficulty of adequately introducing an Empire Club speaker increases in geometric proportion, to the sum of that speaker's achievement."

The significance of Charlton's Law is, understandably, too profound to be grasped immediately, so let us just say that it is extremely hard to condense the achievements and the vividness of a life like Katharine Graham's, into the allotted two or three minutes.

The daughter of a highly successful Wall Street financier and national publisher, the late, great Eugene Meyer, our distinguished guest, when in her late teens, must have looked to an outsider to be inevitably destined for the cocooned life of most daughters born in the lap of luxury. But nothing could be further from the actuality. In her late teens she left, on her own decision, the cloistered and sheltered atmosphere of Vassar College and moved to the somewhat unsheltered campus of the University of Chicago. Soon, she was taking time out from her studies to hand out leaflets against sweatshops, and to serve coffee to striking steel workers.

On graduation, she took on one of the toughest beats a reporter can cover – the labour and waterfront beat for the *San Francisco News*, one of her father's most struggling publications. After this baptism, she joined the editorial staff of the doughty *Washington Post*, purchased by her father in the 1930s for the sum of $800,000. In 1940 she married Philip Graham, a man who six years later became publisher of this paper.

Zena Cherry, Globe and Mail columnist; Katharine Graham and Allan Gotlieb, Canadian Ambassador to the United States

After the death of her father in 1959, and of her husband four years later, Mrs. Graham met face on the challenge of being sole owner of the Washington Post Company. This includes a large network of associated companies, including several television stations in the United States, a major stock interest in two giant newsprint companies (one, the Bowater-Mersey plant in Nova Scotia), and several well-known publications such as the *International Herald Tribune, Newsweek* magazine and the *Los Angeles Times*. "Miss Kay" was at the helm in 1971, when the *Washington Post* and the *New York Times* broke the news of the Pentagon Papers, exposing the double talk of government officials during the Viet Nam War. Again, she was at the helm in 1972 through 1974 when the *Post*, with consummate journalistic skill, unveiled the Watergate scandal.

Clearly among the most influential people in the United States, Mrs. Graham is under continuous pressure from book publishers to write her autobiography. She replies that the only book she might be interested in writing would be one on management – and who could be better qualified than the Chairman and Chief Executive Officer of a huge and very-much-alive complex such as the Washington Post Company?

Ladies and gentlemen, Mrs. Katharine Graham.

Katharine Graham

Madam President, distinguished guests and fellow North Americans. It is a great honour to be here today. I am especially pleased that my visit coincides with the tenure of the first president of the Empire Club since 1903 who is a ... person. (One can only imagine what sins the first woman committed to cause an 82-year hiatus.) In any event, my congratulations and thanks to you, Madam President.

Let us dispense for the moment with the well-worn phrases about our 4,000-mile undefended border and the harmonious relations between our two countries. Only fifty years ago Canada had, as part of its defence strategy, a plan to launch a pre-emptive strike into the United States. This suggests to me that we Yanks had better not take our relationship with Canada for granted. The problem is we so often do. So today I would like to talk about why we in the United States do not know or seem to care about Canada as much as we should, and I will give special attention to the role of the press in this state of affairs. Finally, I will suggest a few things I think we could do to make things better.

It occurs to me there are several impediments to our understanding and appreciating Canada. First there are the incorrect assumptions. As Walter Mondale quipped to Ronald Reagan during our recent presidential campaign: "It's not what you don't know that bothers me. It's what you think you know, but you don't." We *think* we know about Canada. Because we both originated as British colonies, share a continent and are committed to the principles of democracy, it is easy to assume we are alike. But, in fact, our national characters have been shaped by different events – such as a Revolution and Civil War, in our case; and the challenges of the Commonwealth, and the richness of two founding languages and cultures in yours.

Our two forms of government produce different attitudes as well. Canada has a tradition of Empire, a parliamentary system and strong provincial governments. Canadians accept governmental action to a degree not found in the United States. To some people in our country, it seems the Canadian social state resembles European, rather than American models. At the same time, the traditional U.S. separation of powers is difficult for those outside our country to understand – and even for some of us on the inside. If the President were a strong leader, people think, certainly he could achieve whatever he wanted, including a fishing treaty. However, the separation of executive and legislative branches, and the power of our courts, put a check on the unbridled flow of presidential goals.

Yet another obstacle to understanding Canada involves the nature of the strongest link between us. John F. Kennedy said, "Geography made us neighbors. History made us friends. And economics has made us partners." But the nature of this partnership is not well understood. Seventy-five per cent of Canada's exports go to the United States and nearly one-third of your manufacturing takes place in plants controlled by U.S. companies. Total trade in goods between Canada and the United States exceeds $150 billion Canadian. However, I wonder if my countrymen know this is more than twice our trade with Japan, and is higher than U.S. trade with all ten countries of the European Community. I doubt if U.S. citizens realize that nearly twenty per cent of U.S. exports go to Canada, or that our trade deficit with our neighbour to the north was about $14 billion Canadian in 1983. I think we do not realize that direct U.S. investment in Canada is on the order of $60 billion Canadian, more than in any other country, and that Canadians have about $20 billion invested in the United States. If average citizens do not recognize these simple facts, how could they understand more complicated but equally important issues, such as the interrelationship of the United States and Canadian dollar, or why seemingly benign protectionist legislation can produce devastating effects in Canada, or why, to paraphrase Rowland Frazee, "When the U.S. economy gets the sniffles, yours catches pneumonia"?

> *... the unbalanced flow of information between our countries is a barrier to understanding ...*

Finally, the unbalanced flow of information between our countries is a barrier to understanding. To keep our population of 235 million people informed, we publish nearly 20,000 newspapers and magazines. Our television programming goes around the world, at times more of an embarrassment than a source of pride. With a tenth of the U.S population, Canada produces a tenth of the newspapers and magazines. These must fight the tidal wave of U.S. output to attract our public's attention. We have little opportunity to watch Canadian television. Even the Canadian communications companies with large U.S. divisions, such as Thomson and Rogers Cable, necessarily play to the U.S. audience with U.S. news. If we are uninformed or, worse, misinformed about Canada, surely some fault must lie with our media. And I believe it does. On the whole, U.S. media have done an inadequate job covering Canada. And our own company is in the process of catching up. But doing better will take more than mea culpas and good intentions. Here is what we have to overcome.

First, the good news-bad news syndrome. Friendly relations and a stable economic partnership unfortunately do not make front-page news. Often, alas, good news is no news. Compare our coverage of Canada with that of our neighbour to the south, Mexico. Its problems of poverty, illegal aliens and drugs do make headlines in our country. Second is the foreign news syndrome. The media try to keep the entire world in their peripheral vision. But this means we must stretch our resources thin. Today it costs over $250,000 a year to operate some foreign bureaus. We cannot put one wherever we would like. Nonetheless, the *Washington Post* plans to establish a bureau in Canada; it is at the top of our list and eventually we will do it.

> *... the U.S. public just is not all that interested in foreign news ...*

But unfortunately, with a few exceptions such as the Soviet Union, the U.S. public just is not all that interested in foreign news. Editors are challenged by their U.S. audiences to relate foreign news more directly to domestic interests and concerns. Otherwise, it receives a lower priority. Then there is the television news syndrome. Television hungers for the visual and the dramatic. Good news rarely fits the bill. Nor does economics. As a result, the biggest stories involving the United States and Canada are the most difficult for the most popular news medium to get across.

A final obstacle to the media doing a better job is the regional nature – or at least the perceived regional nature – of some of the thorniest problems between our two countries. Take acid rain. Prime Minister Mulroney has indicated he will put acid rain at the top of his agenda when meeting with President Reagan next month. However, it will not be easy to capture the attention of the United States public and Congress with this issue. Acid rain is created principally in our Middle West. It falls on eastern Canada and New England. The funds to attack the problem – once people can agree on its cause – must come from Washington. The beleaguered Middle West has not the resources to pick up the enormous tab. Not unexpectedly, the other regions of our country are not especially interested in chipping in to solve a problem that does not affect them directly. But the regional nature of the issue helps keep it out of the national limelight and out of the national debate. The *Washington Post,* addressing an audience that *is* interested, carried thirty-nine acid rain stories in 1984, and two of them were on the front page. But the national media gave it far less attention. Clearly Canada deserves more. What can be done? I believe there are ways in which both the United States media and Canada itself can heighten awareness.

For openers, I think the press can do, and is doing, a better job of reporting complex issues, such as economics. We are giving more space to the subject. Our reporters are becoming more knowledgeable, and they are more adept at relating economics to real life. In this we have been helped by some recent Canadian actions that revealed how our economies are locked in a mutual embrace. For example, when 36,000 Canadian General Motors workers went out on strike last October, they threatened to shut down General Motors' operations across the United States, throw 30,000 U.S. auto workers out of work, and cost the company nearly $40 million a week. That attracted everyone's attention, I assure you.

The press also must pay more attention to the increased diplomatic activity and better diplomatic climate between our two countries. As everyone knows, the differences between the Reagan and Trudeau governments were quite visible. Much of what mattered to Pierre Trudeau, such as Third World issues, was not high on the agenda of conservative Republicans in our country. The intellectual character of the Trudeau government grated on the populist nerves of successive presidents, as did a more aggressively defined Canadian identity, including restrictive measures against U.S. business investment here. Even so, there was a real willingness on both sides to address mutual problems. President Reagan made Canada his first foreign stop after his 1980 election.

There was also a new commitment to Canadian-United States relations inspired by our Secretary of State, George Shultz. He established for the first time a series of quarterly meetings between Canadian and United States foreign ministers to review our bilateral agenda on a regular basis. He created a special deputy assistant secretary for Canada, the only such position for a single country in the State Department. As a result, many things were accomplished, but they were less noticed than our differences.

... With your recent election, the atmosphere is thawing along the 49th parallel ...

However, the picture is changing. With your recent election, the atmosphere is thawing along the 49th parallel. There is now a meeting of styles and outlooks between our two leaders – without, in my view, any less emphasis on national interest. What is more, recent Canadian initiatives have made the news and have increased our awareness of Canada. For example, when Prime Minister Mulroney came to Washington as his first state visit, that was news. Canada's new commitment to tackle its own air pollution problems – while pressing for U.S. action on acid rain in a more quiet voice – attracted our attention. And the steps taken by Prime Minister Mulroney to liberalize the Foreign Investment Review Agency and the National Energy Program regulations and thus encourage U.S. investment in Canada were well covered, too. Although it now appears that "no money bags are waiting at Canada's border" (to quote a recent Toronto *Globe and Mail* headline), these steps will improve the investment climate and ultimately will produce gains in trade. In short, these initiatives have advanced common interests and raised the public's consciousness about Canada. We must make sure the press continues to respond. The process is being aided, I might add, by the effective performance of the Canadian ambassador to the United States, Allan Gotlieb. The Ambassador is constantly harassing me about our Canadian coverage.

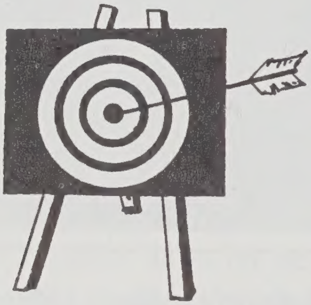
There is one final way in which you can increase our understanding of Canada. It is by permitting U.S. publications to be printed and published in your country. At the beginning of last year, our company received permission and began to print in Canada copies of *Newsweek* for Canadian readers. In November, we launched a special Canadian advertising edition of the magazine. You might wonder how producing a magazine like *Newsweek* in Canada will improve our understanding of your country. The answer is this: to serve Canadian readers and attract more of them, we want to report the news that interests them most – not just a reprint of a U.S. magazine, but more news about

Canada and the world. To do the job, we will establish a *Newsweek* bureau in Canada later this year. This bureau will generate more news about Canada for the worldwide editions of *Newsweek*. We feel sure it will be a tremendous resource for news about your country for our readers in the United States and around the world. We hope it will serve you well.

Mildred Istona, Katharine Graham, Marie Wilson and Margo Bindhardt, head table guests

Still our path is not without obstacles. I recognize the potential threat to Canadian identity if U.S. media drown Canadian media. And I sympathize with your determination to protect your national culture. But in free societies such as we both enjoy, the public needs a diversity of information. I believe Canada's culture and national identity are well served by support of Canadian media, but I hope this will not be at the expense of, or by placing restrictions on foreign media. Ultimately that would be counter-productive, in my view. Our publications can co-exist. And if the spirit of friendship and the ideals of democracy that bind us together are to flourish, they must.

In closing, I would like to return to that well-worn image I discarded at the beginning of these remarks – our undefended border. Canada and the United States *are* unique in their trust, friendship and even affection. We have achieved this envied state through the grace of history, the bounty of trade and the hard-earned currency of mutual respect. Shared knowledge and understanding underlie them all. If our future is to be as secure as our past, knowledge and understanding must grow. I pledge to you that we at *Newsweek* and the *Washington Post* shall do all we can to see that they do.



The appreciation of the audience was expressed by Peter Hermant, a Past President of the Club.

Head Table

Margo Bindhardt
National Chairman,
Metropolitan Opera Central
Opera Service (U.S.)
Director, Gilbert and Louise
Humphrey Foundation
Vice President,
Board of Trustees,
Art Gallery of Ontario

Zena Cherry
Columnist, *Globe and Mail*

A. Carlyle Dunbar
Associate Editor,
Financial Post
Director of the Club

Rabbi J. Benjamin Friedberg
Rabbi, Beth Tzedec
Synagogue

Paul Godfrey
Publisher, Toronto Sun
Publishing Corp.

His Excellency Allan Gotlieb
Canadian Ambassador to
the United States

Peter Hermant
President, Imperial
Optical Ltd.
Past President of the Club

Beland Honderich
Publisher, *Toronto Star*

Mildred Istona
Editor, *Chatelaine* magazine

Roy Megarry
Publisher, *Globe and Mail*

Peter Newman
Author, Journalist
Senior Contributing Editor,
Maclean's

Margaret Scrivener, M.P.P.
Member of Legislature,
St. David's Riding
Chairman-elect, The
Criminal Injuries
Compensation Board
Director of the Club

Marie Wilson
President, A.E. Wilson
and Co.
Director, Bank of Nova Scotia

Kenneth Harrigan

President, Ford Motor Company of Canada

ON THE ROAD TO 2000

February 21, 1985

The President
Catherine R. Charlton, M.A. Chairman

C.R. Charlton

Honoured guests, ladies and gentlemen: It feels comfortable and relaxing when we have one of our fellow-members addressing us – and that is the happy position we are in today. Mr. Kenneth Harrigan is known to many of us, and this need not be a lengthy introduction – more of a brief reminder.

Briefly then, he was born in Chatham; and graduated with honours in Business Administration from the University of Western Ontario in 1951. He promptly joined Ford Motor Company's staff in sales and marketing. It would seem that Ford's management had their collective eye on him from the start, as he was given experience in the sales/marketing offices in Toronto, Winnipeg, Calgary, Edmonton and Vancouver before he was appointed in 1968 General Sales Manager in Ford's head office on Canadian Road. Four years later, he was given international experience by serving as Sales Director of Ford's Asian operations from Australia and later to England to direct sales in southern Europe. With this national and international background, it seemed a very natural development when, in 1981, he became President and Chief Executive Officer of Ford Canada.

On the personal side, Mr. and Mrs. Harrigan have a son and daughter. He has been, and is active in extramural ways, such as serving on advisory councils, the Board of Appleby College, and being part of a federal task force which, in 1983, investigated the automotive industry in North America and urged a greater Canadian content in imported cars. Mr. Harrigan is known to be a prodigious worker, usually putting in a ten-hour or longer day. In the highly competitive, rough and tumble, mercurial auto industry, the soft-spoken, hard-driving, well-trained Ken Harrigan seems to be acquitting himself very well.

It is a pleasure to present Mr. Kenneth Harrigan.

Kenneth Harrigan

Madam President, head table guests, ladies and gentlemen: The North American automotive industry – yes, the Canadian automotive industry – has come through the most severe and most challenging period in its history. I am sure each of you in this room is well aware that our business is probably the most cyclical of all businesses on the continent and, I believe, you appreciate the tremendous economic impact our industry has in good times, or bad, on the economies of Ontario, Canada, and all of the United States. We are a high-profile industry which receives an inordinate amount of attention from governments, from economists, from the media, and from consumers, an indication of the importance of the industry. We should not lose sight of the fact, however, that the automotive industry has fuelled the engine of Canada's and of North America's economic recovery. The majority of the GNP growth in Ontario last year was directly attributable to the North American auto industry. Without our industry, and the allied industries associated with the auto industry, this nation could well still be in a recession!

Arlette Bolliger, President, Swiss Canadian Chamber of Commerce; Ken Harrigan; Catherine Charlton

Before discussing the future prospects for our industry, perhaps a brief review of the last five years would be appropriate. In a recent speech I quoted the famous English novelist, Aldous Huxley, who wrote: "Life has to be lived forwards; but it can only be understood backwards. I suppose that's why we always make the important discoveries too late." Rather prophetic words from Mr. Huxley.

The North American automotive industry has emerged from one of the most difficult periods in its history. At Ford we did, indeed, look backwards before looking forward – however, we did not make the important discoveries too late. Our company has initiated a complete review and a complete restructuring of the way we do business; a restructuring, I might add, which is only partially complete. Many of the problems we encountered were created by our own hand. However, we also faced external hurdles that, for the most part, were beyond our control.

Our responses to these seemingly unending problems were not haphazard. At no time did we simply react. We acted, of course, in response to our problems and we made changes as dictated by events, but we kept a firm hand on what we were doing and where we were going. We identified five basic requirements to put our house in order so that we could compete in the global environment.

Our first and overriding commitment was to get our *quality* right. The quality I am talking about was not limited to our products or to our design centres, or to our manufacturing and assembly facilities; it was quality in our total product development cycle; it was quality in our people; it was quality in our dealerships.

Our second commitment was to *product*. We took a new approach in function and appearance. We had to have the courage to be different, but not in frivolous or superficial ways, in order to achieve a driver's car with product integrity.

Third, we strengthened our commitment to *long-range planning* – developing a road map, if you will, for the next twenty years. We reached a common understanding of what we were trying to do; we set our objectives and we developed plans to achieve them that were realistic, anticipatory, and flexible.

The fourth item on our agenda was the "meat and potatoes" business of getting our *costs in line;* finding ways of being more efficient, and cutting back on the operating costs of our business. This task took a major effort of will and relentless attention to generate the economies of scale that were necessary for our economic survival.

And, finally, if we were to achieve all that was necessary, we had to tap our most valuable resource in more appropriate ways – *the human resource.* We launched employee involvement so that all of our people at all levels in factories and offices, could bring their own inventiveness, their own experience and knowledge, and their own enthusiasm to the tasks at hand. At Ford people were, and, more importantly, ARE the key to all of the things that we had to accomplish.

> *... By the year 2000, we expect the Canadian vehicle market will reach two million retail sales ...*

You may have read in the last several days the financial reports issued by Ford of Canada and by Ford on a worldwide basis, figures which represent an excellent turnaround in our balance sheets. I should caution, however, that these favourable results represent the first stage in the attainment of an adequate return on the significant investments our company has made, not only here in Canada, but on a worldwide basis. If our company is to compete in the global environment, these profits are necessary to fund even more ambitious investment programs in the years ahead.

"The Road to 2000", as my speech is entitled, is my attempt to describe for you how my company, and our industry, is changing as we rapidly approach the end of this century. It is difficult to imagine that the year 2000 is as far in the future as the year 1970 is in the past. The new foundations we have built in the last five years will provide a solid base for the directions we will follow in the years ahead. By the year 2000, we expect the Canadian vehicle market will reach two million retail sales. This compares to 1.3 million in 1984; I would hope that the majority of the vehicles will be produced in North America. Will we then, as a North American producer, be able to achieve an increased share of this expanded market? We believe we have the basics in place to build on and to develop the types of vehicles that consumers will demand. We will use every new idea and technological tool at our command. The entire thrust of our approach will be aimed at continuous improvement and, most importantly, we will ensure that customers are the focus of everything we do.

We have, as a company, already set and started to meet the goals which will take us to the year 2000. At the recently concluded Toronto International Auto Show, Ford unveiled two new vehicles called the Ford Taurus and the Mercury Sable. These two new products, which will be available to the North American public this fall, incorporate some very significant elements of movement from the products of the 80s to the products of the 90s – on the Road to 2000. In these new cars are the concepts of the paperless factory – a very heavy infusion of robotics, other forms of automation, vision robotics, modular assembly techniques, heavy use of computer-aided design, computer-aided manufacturing, and computer-aided engineering. What these new vehicles also represent, however, is a total teamwork approach to the design, engineering and manufacturing of a product. Early and consistent teamwork were essential to these new products – teamwork between market researchers and product planners, between design and manufacturing engineers, between our outside suppliers and the company, between salaried and hourly workers, and between all of our staffs and our plant people. For example, instead of a designer drawing a part and turning the plan over to a manufacturing engineer to find a way to produce that part, they worked together to design the component that could be produced efficiently and with high quality. Another example: we involved outside suppliers earlier than ever before in our product development process, some as many as three years in advance and, as a result, we will achieve better quality and greater manufacturing efficiencies.

The result of our team approach to the new Taurus and Sable is designed-in and built-in quality – which will translate into consumer satisfaction! Our objective has been to prevent problems at every stage rather than trying to correct them after they have occurred. We prevented them by analysing past problems, by building more prototypes earlier in the program, by using statistics to measure and to predict quality, by aggressive insistence on reliable machine tools from our suppliers, and by getting the existing expertise of all of our people before the fact, rather than after. This team approach, together with new manufacturing techniques, will enable us to fulfill our promise to our customers – the promise that the cars will be as good and as trouble-free as they look. In short, that is product integrity and that is the essence of the soon-to-be-offered vehicles, and is the essence of each and every vehicle that the Ford Motor Company will offer to consumers on a worldwide basis in the years ahead. Not withstanding my obvious enthusiasm for the products and processes I have just described, we have more questions than we have answers concerning the future.

At Ford, however, we have several firmly-held beliefs that I would like to share with you today. To begin with, it is imperative that we develop a clear vision of our future products – what they are to be in the broadest sense and how they are to serve our customers' needs. Then we must have a clear idea as to how these products should be designed, engineered and executed with better quality and lower costs. We must develop leading-edge technologies in both product and manufacturing, and in support systems as well. We will need to define the relationship between the technology and support systems, and the people responsible for the product. And, finally, the product will have to meet precise market and cost objectives and productivity improvements of at least fifty per cent.

Recently there has been some news media attention paid to a plan we call Alpha. For our part, we have not released too many details regarding this program; however, I can tell you that a lot of good work, that has already been going on, will flow quickly into our Alpha project. Alpha will help to define Ford's factories of the future; the paperless design development and manufacturing process; the ideal application of many new technologies; the optimum inter-reaction between people and technology. It will go well beyond what anyone else is doing anywhere in the world – yes, into uncharted waters. We regard Alpha as our highest priority advanced project.

Making certain our company succeeds in the long term will be a tremendous task. However, we are extremely optimistic about the interim. I believe I can translate my optimism with three observations. First of all, our technical people believe there are extraordinary gains to be made within the limitations of our present facilities, and this work will continue. Second, in many instances we will not have to wait for the ultimate Alpha product to benefit from the work. As the feasibility of each good, new concept is proven, we intend to aggressively adopt that concept. And, third, my colleagues and I continue to hear from many individuals that our company is right on target concerning the importance of the people side of the equation; there is unmined gold out there to be discovered, simply by striving for excellence and by seeking continuous improvement in the way we all work together.

I might add that working together, today and in the future, will go beyond our company in assuring success. Management, labour, and government all have a responsibility and must work together to improve Canada's cost and productivity base in order to improve our competitive position in the worldwide marketplace. I was particularly pleased to hear recently the Honourable Frank Miller, our new Premier, come out in support of the recommendations of the automotive industry task force which made its report to the federal government in May of 1983. The recommendations of the task force have, for the most part, been acted upon. However, the most important recommendation, that of a new trade policy, which would encourage and, in fact, require investment in our country by overseas manufacturers and would result in increased employment, has yet to be acted upon. I am sure my colleagues in the automotive industry would echo my sentiments, and those of the Premier of the province of Ontario, in asking the federal government to act on this important recommendation.

The basic inequities that exist in our own home markets have, to a degree, been minimized by the imposition of voluntary restraints on Japanese-produced vehicles. These restraints have given the North American manufacturers the opportunity to restructure their enterprises to be more competitive in an effort to overcome the enormous differences in labour costs, work habits and productivity we have with Japan's automotive industry. This restructuring is only partially complete and, despite the economic impact studies that have been carried out by certain government departments and by outside think tanks whose reports have been rather one-sided, I believe that the government should renegotiate the import restraints for at least one more year, if not longer.

> *... I believe that the government should renegotiate the import restraints for at least one more year, if not longer ...*

One thing that should not be overlooked, by all those criticizing restraints, is that Canada and Canadians are producers as well as consumers – and Canadians will need to continue to be producers if our standard of living and buying power are to be maintained. As I said earlier, the profitability of the North American automotive companies, when weighed against the significant losses that have been made, and the significant investments that have been undertaken, cannot be termed as a recovery of our industry. If we are to continue our headlong plunge into being fully competitive on a worldwide basis, we will continue to require the breathing space that the voluntary restraints can offer. I might also add that if it was not for restraints, there would have been very little additional investment in Canada by overseas or domestic automotive manufacturers and suppliers in the past two or three years.

> *... we will require the co-operation and understanding, and a strong relationship between government, labour and the business community ...*

Ladies and gentlemen, if our industry is to prosper and is to provide employment and investment in the years ahead, we will require the co-operation and understanding, and a strong relationship between government, labour and the business community. With the rapid developments that I have described for you, and with the increases in productivity and new technologies, I would caution that in the longer term future we may see a reduction, through attrition, of a number of employment opportunities in our plants. Some will be the result of automation, while others will be as a result of outsourcing whole or partial operations. We will be seeking to manufacture our products with greater efficiencies and at lower costs and the industry will call upon independent companies to produce, with our technical assistance or through joint ventures, many of our future projects. As an offset, I believe these new technologies can create new employment in Canadian industries that will not only serve us, but also supply a worldwide automotive industry. We already have a couple of examples today, but we need many more well before the year 2000. We are on our way to preparing ourselves for the meaningful challenges that the next fifteen years and beyond will present.

The Road to 2000 will not be strictly freeway driving. We will encounter hazards, obstacles and unanticipated detours, like many motorists encounter today. The next fifteen years will produce more changes in our industry than the total of the past eighty years of automotive development in Canada – changes that will be dictated by both consumer demands and by the automotive industry's worldwide capacity. These changes will affect:

- The types of products produced. The new products will be tailored to consumer wants and needs; will be almost maintenance free; will be even more fuel-efficient than vehicles on the road today, although they will still be fuelled by gasoline; and will be safe, comfortable and fun to drive;
- The way they are produced. New technologies in design, manufacturing and engineering will be employed and more precise methods of assembly will be commonplace;
- The methods used in selling and marketing. Vehicle buyers will be more cognizant and more knowledgeable about the products and what their individual requirements will be. We will be more accurate in the methods employed to reach this new breed of consumer;
- Our relationship with our employees and with unions will continue to improve and to mature. Work habits, standards and practices will change to meet the global challenge;
- And, finally, total consumer satisfaction will be our ultimate goal with quality products and quality dealers to look after their needs.

These important changes are not a pipe dream, they are a prediction of the future. This will be the case in the year 2000 and at my company we are already on the road to ensuring that we are part of these changes and that we will share in the benefits of those changes when they occur.

Think

The appreciation of the audience was expressed by Dennis Madden, a Director of the Club.

Head Table

Setrak Adourian
President, Adourian's
Rug Galleries Ltd.
Director of the Club

Roy F. Bennett
President, Bennecon Ltd.,
Director of Ford Motor
Company of Canada

Richard J. Bennetts
President,
Mary Kay Cosmetics
Director of the Club

James Black
Chairman, Molson
Companies Ltd.
Chairman, Canadian
Manufacturers Assoc.

Arlette Bolliger
President, Swiss Canadian
Chamber of Commerce

Norman A. Clark
President, Motor Vehicle
Manufacturers Association
of Canada

Fr. Edward Jackman
Historian, The Roman
Catholic Archdiocese of
Toronto; a Dominican Priest

Dr. Derek Lane-Smith
President, Canadian Centre
for Creative Technology,
Originator of the Shad Valley
Program for gifted high
school students

Patrick Lavelle
President, Automotive Parts
Manufacturers Association
of Canada

H. Dennis Madden
Vice President, Government
& Corporate Affairs,
Royal Trust
Director of the Club

Laurent (Larry) Thibeault
President, Canadian
Manufacturers Association

Chris Trokosis
Grade 12 student, Danforth
Technical School, studying
auto mechanics

BRITISH COLUMBIA

David Weldon; Michael Broadbent; Chef Nick Schweizer, Chef, Garde Manger, Royal York Hotel; Catherine Charlton

Jack Ackroyd with Michael Broadbent

Michael Broadbent, M.W.
President, Christie's Auctioneers

MY LIFE AND HARD WINES

February 28, 1985

The President
Catherine R. Charlton, M.A. Chairman

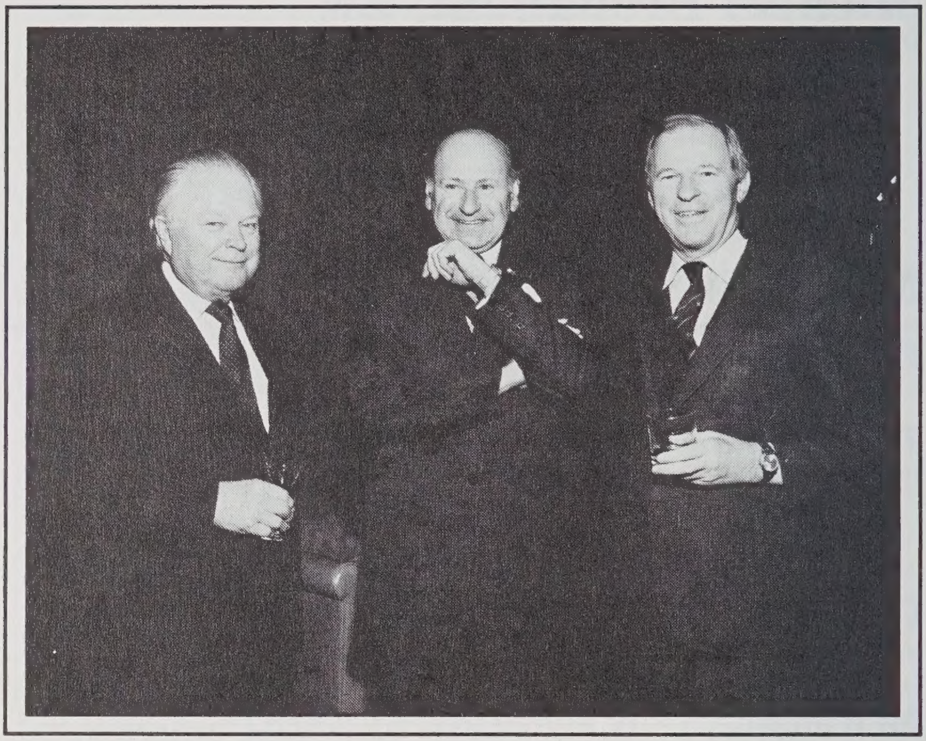
C.R. Charlton

Honoured guests, ladies and gentlemen: It is doubtful if anyone really knows exactly when the almost aesthetic, almost mystical, bond between humanity and good wine began. If anyone does know, it would be our speaker.

The only authentic date I could establish was that Noah had a vat on the Ark. (Better make that two vats – Noah's favourite number.) We know this because G.K. Chesterton told us so in his scholarly poem – "Wine and Water" – one verse of which clearly states:

> And Noah, he often said to his wife
> When they sat down to dine
> I don't care where this water goes
> If it doesn't get into the wine.

If you can believe Chesterton, Noah was concerned about the quality of his wine – a concern shared by our speaker.



Head table guests Clark Campbell, Dr. Antonio Santamaura and J.A. Wm. Whiteacre

Recently, Michael Broadbent was awarded the 1984 Grand Prix de L'Academie Internationale du Vin and, still in 1984, was elected president of the International Wine and Food Society, the oldest, most distinguished and most truly cosmopolitan of all the international gastronomic societies. He is one of only three Englishmen connected with wine to receive one of the French government's highest honours, the rank of Chevalier of the National Order of Merit. He is a past chairman of the Institute of Masters of Wine. He has written two definitive and award-winning books on the subject.

And oh, yes! Mr. Broadbent also happens to be President of Christie's, an auctioneering firm founded in 1766, and now the largest in Britain. Like Sotheby's, Christie's was built on art masterpieces and antique furniture, but not to the exclusion of general business. Christie's has an international business in wine auctioneering. After only five years in North America, the firm has a sales volume on this continent equal to that of Britain and it maintains an office in Toronto.

Mr. Broadbent was born in Yorkshire, and has homes in London and one near Bath. He is married and has two grown children.

Let us now sit back; imagine that our hands are toying with a glass of very rare, softly lucent wine; and listen to the words of a real and articulate master.

Ladies and gentlemen, Mr. Michael Broadbent.

Michael Broadbent

Madam President, ladies and gentlemen: You mentioned something a minute ago about how old wine was, and I can tell you that it is generally regarded that members of the wine trade belong to the second oldest profession.

The title of my talk, as announced, "My Life and Hard Wines", is a trifle facetious, but as the occasion is rather dignified, I am going to open with a Latin quotation. It is the last verse of a poem in which the Roman poet Martial is advising a father on a career for his son. I will give it to you in Latin: "Si duri puer ingeni videtur, pracoem sacias vel architectum". For those who do not have a classical education, it says: "If your boy seems to have the brains of a blockhead, you should make him an auctioneer or an architect". This little piece was written 1900 years ago. Alas, I trained as an architect, and am now an auctioneer.

Let me quickly, today, explain how I skipped from one to the other. In fact, it was more of a hop, skip and a jump; and actually, to be truthful, the hop was a bit of a flop, because I failed to pass my exams. If only, Madam President, I had opened a single book on Drainage & Sanitation, I would have been an architect now – probably a very bad one – and would certainly not be addressing you today.

I have my mother to thank for the transition. She was an avid reader of books on wine by John Fothergill, by André Simon, by Warner Allen, by Tommy Layton, and in the summer of 1952, after I had left the architecture school, she spotted in the personal column of *The Times* an advertisement for a wine trainee by Layton's Wine Merchants. I wrote to them and much to my surprise I was accepted. Years later, I discovered that Mr. Layton had taken me on, on the strength of my handwriting, which was then an architectural Italianate script. So one way of getting into the wine trade is to spend five years training as an architect!

... I hear you are thinking of re-starting wine auctions ...

Dear old Tommy Layton was somewhat eccentric. We recently gave a lunch party at Christie's to celebrate his fiftieth year in the wine trade. But being a late starter, a convert, I was tremendously keen; and Tommy had a retail wine business, a wine bar, wine restaurant and something he called "the circle of wine tasters", which I used to refer to as "the circle of wine wasters". However, I did learn a great deal about tasting and I started right from the beginning, in September 1952, to make notes on every wine I tasted. I put the notes into a little red book and, as you can see, I still use exactly the same sort of little red book. This is volume fifty-nine. I did not realize then how much it would stand me in good stead.

I am going to skip over my fourteen years as a wine merchant, first with Saccone and Speed, then with Harvey's of Bristol. I started to cross-index my notes by vintage and by chateau; and again I did not realize at that time how useful this was going to be. My jump from Harvey's to Christie's the auctioneers, was more fortuitous. I did not need my mother's help since I had enormous, brazen, cheek. I heard that Christie's were thinking of re-starting their wine auctions; I thought it sounded fascinating, and I was sure I could do it. So I wrote to Mr. Chance, the chairman, and said: "I hope you will forgive me for writing to you out of the blue; I met you ten years ago when I was with Harvey's. I hear you are thinking of re-starting wine auctions. I think the time is right, the market is ripe – it is fragmented" – and added a few more reasons. I ended, "forgive me for bothering you if you are not going to start wine auctions". He replied that they were considering wine auctions and "would you like to come and see me?" I said yes, of course. But first I wrote another letter giving him about twelve good reasons for re-starting wine sales, which I will not bother you about now. I also suggested that they needed a chap between thirty-five and forty (I was forty at the time) with a certain amount of experience in the trade. I added that Christie's could do a certain level of business, and in a year's time a little bit more. I thought we should aim to do a million pound turnover in a year. When I was hired, the chairman shook me by the hand and said: "Well, Broadbent, it's up to you." At that moment, my knees turned to jelly. I thought, where do I begin? I had an empty office, no secretary, no nothing, no sort of supporting cast. I had left Harvey's as U.K. sales director, and I started at Christie's more or less at the bottom. But I had a lot of luck.

I was taken on in Christie's Bicentenary Year – 1966 – and I thought it best to do a bit of research. I went down into the muniment's room. Christie's had been bombed during the war and the premises were destroyed but, very fortunately, the muniment's room had escaped; every single auctioneer's catalogue from 1766 is down there at this moment. I spent many happy weeks with those old catalogues discovering when wine sales started; how and who was selling and buying. I found it an enormous thrill, and I still do, to pick up James Christie's first catalogue of December 6, 1766 – and even more so, to note that there was wine in his very first sale: "Fine Claret – 24 shillings a dozen. Fine old Madeira – 25/6 1". Now I have a complete record of every sale of wine at Christie's from 1766 to the present day. The most amazing thing is that little has changed. People still sell for the same reasons: because, unfortunately, they have died, they are moving house, or they are short of money or bankrupt; or they want cash to send their son to school, or they are plain greedy. People sell wine now for every reason, except as an investment.

... I have a complete record of every sale of wine at Christie's from 1766 to the present day ...

Christie's first sale was for "a nobleman deceased" – I love the title pages. I am afraid I am going to bore you with one or two of them, because they tickle me pink. Dead or alive, noblemen, and even royalty, grace many of Christie's catalogues. For example, in November, 1768, Her Grace the Duchess of Grafton and the Duke of Leeds sold wine. Both families are enormously rich still; both are clients of Christie's. Christie's most famous early sale was of the jewels of Marie Antoinette. In fact, before and after the French Revolution, many French aristocrats came to England since they were desperate and had fled their country with whatever they could bring. Of course, the most portable of their belongings were jewels and James Christie had a high time selling the jewels! Apart from foreign royalty the first record of a royal wine sale I found was in June, 1835, "from the cellar of His Royal Highness, the Duke of Gloucester, deceased" – quite a good cellar. One hundred and forty years later, I auctioned the wines "from the cellar of late Duke of Gloucester". Nothing changes.

Undoubtedly, the most famous royal sale of wine was held on June 24, 1901. On coming to the throne, Edward VII found the royal cellars full of sherry. He, of course, was a well-known quaffer of champagne – preferably out of actresses' slippers. You see, after Albert's death, Queen Victoria was more or less in perpetual mourning, yet the rather crafty "purveyors of wine to Her Majesty" had continued to deliver sherry. Edward had a look around, perhaps to clear the cellar for champagne, and Christie's were called in. I was not there then. The title page ran something like: "The property of His Majesty King Edward VII and the late Queen Victoria – 5,000 dozens of sherry" – mainly sweet, golden (olorosos) – "from the cellars of Buckingham Palace, St. James' Palace, Windsor Castle, Sandringham and Osborne House". The five-day sale was a tremendous success and every lot sold. Even Berry Bros., that rather up-marker wine merchant around the corner bought enthusiastically – in fact, they paid the highest price for the last lot in the sale. But the upshot was – the sherry market slumped. You see, the King had indicated that sherry was not an "in" drink, and sherry sales dropped out of fashion.

The market did not really recover until Harvey's Bristol Cream became popular after the last war. Eighty years after the royal sale, Seagram's, with whom I am sure you are familiar, bought Sandeman's, the sherry and port firm, and looking around their cellars in Jerez, saw a large quantity of old sherry in casks. It had been there for ages. So David Sandeman came to see me – obviously nudged by Seagram's – and said, "Look, we have a slight problem. We have an awful lot of sherry lying around. Is there anything you can do about it?" I asked what it was. "Well, they're all sweet sherries, very old and of the highest quality". I said, "Look, the only way to do this is to be brazen and optimistic, and hold a big sale. And what I would like to do is make it a 5,000-dozen bottle sale." We did just that. There were just eight different types of sherry and we catalogued 5,000 dozen, just as in June 24, 1901. In fact, we held the sale on June 24, 1983. I will be absolutely frank, we did not sell all of it, perhaps about two-thirds, but happily on this occasion it created a new market for fine sherry. As a result of the sale, Sandeman's re-introduced a range of their mature sherries. You can buy their Royal Esmerelda and El Corregidor now in North America. I am only trying to point out, you see, there is nothing new.

After royalty comes the diplomatic corps. I think we have cornered the market in sales of wine for ambassadors and such like. In January, 1770, His Excellency Count Sielern sold a fabulous collection of wines "laying in His Excellency's house in St. James' Square" – around the corner from Christie's. In 1772 we sold some for another ambassador "returning home". In 1778 we sold wine for the Marquis de Noailles, a very famous French family, at his mansion in Whitehall. Marvellous cellar! It included Chambertin, Pommard, Nuits, Montrachet, Meursault, "a hogshead of Canon" etc. Amazing range; and this was in 1778. All these great sales were very well attended and high prices were paid. For the eighteen years I have been at Christie's, we have sold wines for several ambassadors returning home including the Danish ambassador, the Spanish ambassador; but usually more discreetly. They do not like to publicize the fact they are selling. We have sold for, and to, British ambassadors overseas; and so it goes on. Nothing changes.

...The other main reason for selling, is that people run short of money ...

The other main reason for selling, is that people run short of money. In the eighteenth century they had the most delicate way of putting it: "The Household Furniture and Wines of a Gentleman Gone Abroad". This was in February, 1767. There were masses of gentlemen and ladies "quitting house-keeping" – all escaping creditors, avoiding bankruptcy. If we dealt with royalty and the nobility, we also dealt with the lower orders, like publicans and sinners, and actually still do – dukes and dustmen are commonplace at Christie's. In August 1770, we sold "burgundy, madeira, claret, rhenish (which is Rhine wine), Florence (chianti), Englishgin and Usquebaugh (whiskey)"–for Thomas Murphy, a bankrupt, at his house, "The Star and Garter Tavern".

And if you think speculation in wine is a new thing, think again. In September, 1769, Christie's issued a catalogue of "neat wines" – "neat" meant unadulterated – "the property of Captain Fletcher from the West Indies". Here was a sea captain, who would go out and pick up a cask or two of madeira in Funchal, sail on to the West Indies and bring it back to England. The long sea journey and the heat was said to improve the flavour and the wines fetched very high prices. In 1874 Christie's held a sale of 6,000 dozens of claret, all the 1865 vintage, for a wine merchant in the Adelphi who speculated in this great vintage, and got caught by the recession.

... The first auction entirely devoted to wines was at Christie's in 1769 ...

Exactly one hundred years later, in 1974, when as you all know, the property market collapsed, the wine market collapsed, almost everything collapsed. The secondary banks were propped up by the Bank of England, and a whole heap of firms got into terrible trouble. For the next two years Christie's disposed of massive stocks of wines for brewery groups like Bass Charrington, for Bordeaux shippers such as Cordier and Delor, even for the famed Château Lafite and Mouton-Rothschild.

Before coming to the present day I must explain that quite a lot of wine used to be sold in mixed household sales. The first auction entirely devoted to wine was at Christie's in 1769, though specialized wine sales and mixed sales continued until the Second World War.

To demonstrate just how mixed some of the sales were, I shall quote briefly from the title pages of a few early catalogues: "In March 1767 James Christie offers for sale 'a Harpsichord, Wines, Two Large Ricks of Hay, a Fine Black Coach Horse and Other Valuable Effects'." A year later, for "an Innkeeper and Farmer, at the White Hart, Petersfield, Hampshire .... some Coopers' Tools, Three Draining Bags, Five Prickles and some Hampers". (Believe it or not, we are selling next month, at Christie's South Kensington, a collection of coopers' tools and cellar equipment for H. Allen Smith, by appointment wine coopers to Her Majesty the Queen Mother and to previous monarchs.)

Mention of the Second World War brings me back to Christie's main preoccupation which was to get the fine art business back on its feet. Having been bombed out, the firm used borrowed premises and, true to style, the sales were held in the town houses of the nobility – in Stafford House, St. James's and in Spencer House, nearby. As it happens, there has always been a close connection with the Spencer family. My present Chairman, John Floyd, is Princess Diana's godfather.

Let us return to King Street where Christie's eventually rebuilt their premises in exactly the same style. We moved back in 1953. However, wine auctions did not resume at that time. For complicated reasons, lingering wartime restrictions did not permit public auctions and only the licensed trade could buy and sell at auction. By the time I joined Christies' in 1966, we were able to get the department going. Restell's, the only other wine auctioneers, fell into our lap, and young Alan Taylor

Restell became my most efficient second-in-command. We actually held twenty-four wine sales in the first season. I cannot tell you how worrying it was. My wife will confirm that I used to wake up at three o'clock in the morning fretting about where the next lot of wine was coming from. Fortunately, we had considerable success.

The first real breakthrough arose that autumn and culminated in the great "Rosebery Sale" of 1967. This is how it happened. The Hon. Patrick Lindsay, one of my senior partners, came in with the Marquis of Linlithgow who mentioned casually that he and his brother were frightfully bored drinking eighteenth century madeira. Some bottles were very good, some were not, and they threw most of the bottles away. I asked if I could see the cellar and he said "why not?" So I went up to Edinburgh by train, was picked up by a girlfriend who drove me to Hopetown House and dumped me on the doorstep. It was rather dark and I could not actually see anything to ring, but I eventually pulled something and His Lordship and the butler, putting on their jackets, arrived at the door. I had timed it beautifully. It was just after the Miss World Contest and they were comparing notes. The next morning I checked through the cellar. It was full of wonderful old wines, but I had no time to list them then. As I was leaving, Lord Linlithgow said, "Look, my neighbour Harry Rosebery has a good cellar, including a wonderful collection of old Lafite. His mother was a Rothschild, he's rather old, and I think he's probably willing to sell." He gave me a scrappy hand-written list, suggested I write to him and recommended that I quote pretty high prices – remembering the Rothschild background. I wrote to Lord Rosebery and obtained permission to see his cellar at

Dalmeny, in Scotland. Then I went to Mentmore, his principal seat near Aylesbury and checked the cellar there. We had lunch in an enormous dining room, not quite as big as this room, but it seemed to me absolutely huge, with a small round table in the middle. Lady and Lord Rosebery sat on either side of me with some historian lady opposite. It was quite an amusing lunch. They argued throughout the meal while I was eating away, taking no notice. I remember that his everyday port was Taylor '20. The other thing that I remember was a long sideboard with every sort of pickle you could ever imagine, and a huge gun carriage which I thought must be Napoleon brandy. In fact, it was Old Grandad bourbon whiskey. It was the same Lord Rosebery – he is dead now – who was reputed to have cabled his butler in Scotland: "I leave for Dalmeny in the morning. Lady Rosebery and the other heavy baggage will follow." The Rosebery sale put Christie's wine department on the map. We sold 1858's, 1864's, three triple magnums, eight double magnums, several dozen magnums and bottles of 1865 – all Château Lafite, as well as masses of the 1874 vintage and a host of other old wines.

... I seemed to spend my time going around grand houses ...

Of course, after that I seemed to spend my time going around grand houses. The Duke of Buccleuch, several earls, an army of baronets – sold their wines. But the greatest coup was Glamis Castle. This arose when a wine merchant friend in Perth phoned and said, "Look, I've just been up to see the cellar at Glamis and I think nobody 's drinking wine at all. They might be persuaded to sell." I rushed up, saw the cellar, which was in perfect order, with a cellar book which had been immaculately kept by butlers for generations. The only problem was how to remove the wine. The Earl of Strathmore was not interested in wine – I am not saying he didn't drink, but he was not interested in wine – so I had to go and see a trustee, Lord Elphinstone, a rather formidable gentlemen who, fortunately, gave me permission. We got the wine out as fast as we could, piled it into the wine merchant's van, careened down the road to Perth (I was terrified, as it was not insured) and eventually to London. I wanted to get it to Christie's and catalogued before Sotheby's heard about it because (this was 1970) our competitors had just started a wine department. Not only that, but a member of the Bowes-Lyon family was on the board directors. Well, the star of the show was the 1870 Lafite; there were 42 magnums of it, binned in 1878 and scarcely touched – I think two had been drunk. The thirteenth Earl had been a tremendous connoisseur but, clearly, he did not like this particular wine. It had a reputation for being "black strap" and it was enormously tannis, like red ink. The Earl died about 1913, long before the wine became ready to drink. It took fifty years for Lafite 1870 to become drinkable. André Simon was writing about it in the late twenties and early thirties. I thought that as this was the star

> *... It took fifty years for Lafite 1870 to become drinkable ... The wine was absolutely perfect. It could have been twenty years old, not a hundred years old ...*

of the show, and it was just possible that we had a bad batch, I had better open a magnum. We had a great dinner before the sale at Christie's with all the wine luminaries present: Harry Waugh, Hugh Johnson, Cyril Ray, David Peppercorn, Edmund Penning-Rowsell, etc. Very nervously I withdrew the cork. The original cork had never been changed. The level was excellent and I decanted it carefully. The wine was absolutely perfect. It could have been twenty years old, not a hundred years old. On the nose, it was sweet and wholesome and fruity; it seemed to blossom in the glass – not a trace of oxidation or over-acidity. I am very often asked by journalists which is my favourite wine. This, I believe, is the most spectacular and memorable one. It was not the first and it will not be the last of the great wines.

... The universal problem for people with great cellars is – with whom do you share rare wines? ...

I am very spoiled; I am invited to endless tastings. In the late 1970s I thought I might "plough back" some of my tasting experiences, so I wrote *The Great Vintage Wine Book* which is basically an analysis of vintages going way back. I used my tasting notes to illustrate what the wine of a particular vintage was like, and what it is like now. I am happy to say that it has been very successful. One of the results of publishing this book is that I get even more invitations to taste wine; to taste wine with the very generous owners of great cellars, who happen to notice that I have not actually noted Pétrus 1945 in my vintage wine book, and it is high time I tasted it. There are chaps in the outbacks, like Houston, who have not anyone to taste wine with. So, if you are ever passing Houston, perhaps on the way to L.A., I suggest you stop and help these fellows out! The universal problem for people with great cellars is – with whom do you share your really beautiful and rare wines? It is not a question of expense, it is a question of waste.

I also get asked to talk a good deal about wine and to conduct tastings, which I greatly enjoy. I have done seven "en route" on this little trip. Sometimes I even get paid for it! But, as you can imagine, wine events can sometimes be rather heavy going. Last October I was invited by a German wine buff, a wine fanatic – a client of Christie's, who buys a lot of fine wine – to a big annual event. I flew to Düsseldorf early that morning. I was picked up by a doctor, another connoisseur and driven to a country restaurant about half an hour away. We sat down to lunch at quarter to twelve noon. I got up from table at quarter to twelve midnight. In between times we had actually consumed, between twenty of us, sixty wines; some of the greatest you can ever imagine – D'yquem '59, '53, '45, the great '21, 1883 and 1869. The 1883 was just amazing; it was poured about quarter past noon and I kept some in my glass for nearly twelve hours and the bouquet still filled the room. It was just absolutely fabulous! We had Pétrus '71, '47 and '28; Lafite of several great vintages; Mouton '29; Palmer '61 and '20; old sherry; 1789 madeira.

This is all rather name-dropping I am afraid, but it *was* a marvellous occasion! Unfortunately, the chef produced – over twelve hours – twelve dishes, and with every dish he tried to excel himself. By the time I arrived at my airport hotel, I was not well – in fact I was fearfully ill that night. It was necessary to rise early to catch the eight o'clock flight from Düsseldorf to London. As we flew through a thunderstorm, our wings were struck by lightning, but I could not have cared less. In a daze and looking green about the gills, I took the tube to Christie's, and at eleven o'clock precisely took a sale of *New World Wines*.

It is a *very* hard life.

The appreciation of the audience was expressed by J.A. William Whiteacre, a Director of the Club.

Head Table

Jack Ackroyd
Chairman, Liquor Control Board of Ontario

W. Robert Burgess
President, Intntl. Wine & Food Society (Toronto Branch)
Partner, Bourdon and Burgess

Clark Campbell
President, Confrérie de la Chaine des Rotisseurs
Partner, Day Wilson and Campbell

Murray Mackay
Senior Representative, Christie's Canada

Milan Nastich
President, Confrérie des Chevaliers du Tasse de Vin
President, Ontario Hydro

Dr. James A. Parish
Director of the Club

The Rev. Harold F. Roberts
Rector, St. Timothy's Church
Director of the Club

Dr. Antonio W. Santamaura
President, Academia Italiana Della Cucina
Policy Adviser, Ont. Ministry of Industry and Trade

Nick Schweizer
Chef, Garde Manger, Royal York Hotel and member award winning Toronto Team at 1984 Frankfurt Culinary Olympics

Ted Turner
President, Toronto Vintners Club
Manager, Hunt Personnel

David B. Weldon
Le Maître, Commandérie de Bordeaux
Chairman, Midland Doherty Ltd.

J.A. Wm. Whiteacre, M.M., C.D., Q.C.
Only Canadian on Council of Intntl. Wine & Food Society
Director of the Club

George Gallup III

Chairman, American Institute of Public Opinion

FORECAST TWO THOUSAND

March 7, 1985

The President
Catherine R. Charlton, M.A. Chairman

C.R. Charlton

Honoured guests, ladies and gentlemen: We feel particularly grateful to the man who is our guest speaker today, for service to the Empire Club above and beyond the call of duty. Early last year, we had persuaded his father to address us in the fall. Before he could fulfill his commitment, as you probably know, death took Dr. George Gallup Sr. while he was holidaying in Switzerland. Recognizing his father's commitment to the Empire Club, George Gallup Jr. graciously agreed to assume it. Thank you Mr. Gallup.

Actually, it would have been impossible to find anyone nearly as well qualified to fill the gap as our speaker today. Since the time he was a young boy, through his student days at Princeton University, Gallup the Younger showed a keen interest in the pioneer work his father was doing in the field of public opinion research. For the past thirty years, he has worked in all phases of this complex field. Since 1966 he has served the widespread Gallup organization as president, and since his father's death, as chairman.

Mr. Gallup's deep interest in religion and attitude research is indicated by the fact that his graduating thesis at Princeton was on the subject of the American public's reasons for belief or disbelief, in God. In 1977, in partnership with an academician from Notre Dame University, he founded the "Princeton Religious Research Center", the main function of which is to apply scientific methods to studies of the nature of religious beliefs in the United States and abroad. He has been awarded an honorary degree by four American universities and colleges. He currently serves on both the Religious and Sociology Departments' advisory councils at Princeton.

The Hon. Andy Brandt, Minister of Industry and Trade; George Gallup III; Catherine Charlton

The eclectic breadth of his interests is indicated by the fact he is a keen Gilbert and Sullivan fan, and a participating one at that, having played the role of the Mikado in twenty-five performances, and leading roles in half a dozen Gilbert and Sullivan operas. He has, of course, published many articles and several books, chiefly on sociological and and religious subjects. One of the latter, entitled *My Kid on Drugs?*, was written in collaboration with Art Linkletter. He is married and has three children, including (in the family tradition) a fourth generation George Gallup!

Mr. Gallup, I cannot guarantee that this audience is what I think pollsters refer to as "a representative sample" of the Canadian population, but my belief is that it *is* a representative sample of what the Canadian population *ought* to be. They are anxious to hear you.

Ladies and gentlemen, Mr. George Gallup.

George Gallup III

Madam President, other officers of the Empire Club of Canada, distinguished guests, ladies and gentlemen: It is a great honour for me to speak at your luncheon meeting today. As you know, my father, Dr. George Gallup, who was originally scheduled to be with you, died last year in Switzerland. So it is with sadness that I speak to you; but at the same time, it is with a renewed and deepened commitment to pursue my father's goal of giving the public a voice in the direction taken by nations. For my father was truly the "public's advocate" and as Dr. Albert Cantril wrote in a memorial article in a recent issue of *Public Opinion Quarterly:* "George Gallup was a true democrat – small 'd'. His faith in the good sense of the public was boundless, and he saw the public opinion poll as a powerful tool for bringing that good sense to bear on the affairs of state."

This is the fiftieth anniversary year of the founding of the American Gallup Poll by my father in 1935. It also marks the forty-fourth anniversary of our affiliate, the Canadian Institute of Public Opinion, founded by Wilfrid Sanders and now ably led by Frank Kielty. For forty-four years the American and Canadian institutes have been functioning side-by-side, providing a constant flow of information about the attitudes of the two respective populations, and sometimes toward each other's nation, hopefully leading to a deeper understanding between our two peoples. Certainly such efforts are important, because the fates of our two nations are closely entwined.

Surveys by Gallup-affiliated and other survey organizations have carefully charted public opinion over the last turbulent half-century and as such have given us a continuous series of snapshots of opinion at a given point in time. Yet while polls are generally believed to reflect only the moment of the interview, I feel there may possibly be another function of polls in the future – probing the *predictive* power of public opinion. Through surveys we may be able to plumb what could be called the intuitive, almost mystical corporate sense of where we are going – a sense that no one individual possesses.

In writing our book on the future, William Proctor, my co-author, and I have tried to tap the mass intuitive power of the public, although it may be many years, if at all, before we are likely to have sufficient empirical data to support the reliability of such information.

We also examined *emerging* trends, because pollsters are in the enviable position of being able to spot incipient trends before they become full-blown and apparent to all. We examined the views and predictions of youth as well, because our surveys have repeatedly shown that one's values and attitudes about life – the seeds of future actions – are formed and fixed before a person turns twenty.

And finally, we sought the opinion of a select group of experts of all kinds – lawyers, judges, economists, business executives, artists, scientists, the clergy – to get as sharp a focus on the future as possible.

Why write such a book? For the simple reason that in this day of incredible and accelerating change, we must each of us be a "futurist". Certainly we can expect amazing changes in the years ahead, changes that will make our world today seem as outdated as the horse and buggy – for example, household appliances that talk back, cars that can spot their own parking places, factories in orbit, just to name a few. But these and other technological advances could be swept away or be of little value if we do not prepare for, and try to get on top of, other possible developments in the future – economic crises, overpopulation, ecological damage, food and energy shortages, and, of course, nuclear warfare.

We appear to be rushing blindly toward the future, without sorting out our top priorities – both in personal lives and in the life of a given nation. We are woefully unprepared for the future. I do not have figures for Canadians, but in the United States as many as one-third of the public admits to being inadequately prepared for their present marriages and for parenting. And half of Americans say they would go into another line of work if they had it to do over.

Furthermore, in view of the fact that we are to a considerable extent at the mercy of economic forces over which we have little control, it would appear that the primary force to counter most economic problems will be the ability of individuals to recognize and plan for the future. And, in this respect, it behooves individuals to educate themselves to become more sophisticated managers of their money; to base their job decisions on whether a given job will be viable in the future; to accept automation as the wave of the future; to think in terms of alternate employment; and finally, to minimize their vulnerability by giving themselves some sort of financial cushion to fall back upon.

> *... We are guilty as individuals and as nations of not identifying those "future forces" that will shape our lives ...*

We are guilty as individuals and as nations of not identifying those "future forces" that will shape our lives, and of planning accordingly. In fact, Godfrey Sperling, Jr., Washington columnist for *The Christian Science Monitor,* recently made what I regard to be a compelling case for President Reagan to set up a national goals commission to "enlist the best thinkers of the United States to come up with answers to where the country should be, and – with specifics – what it should be doing 10, 20 and even 50 years from now."

For the fact is, just beneath the surface of our society, a great historical wave is on the move – a set of monumental political, social and economic impulses that are carrying us relentlessly toward a rendezvous with the future. And it is imperative, I believe, that we make the attempt to identify these forces because if swift, forceful steps are not taken to defuse the political and social time bombs facing us, we may well find ourselves on a track that could lead to the possible destruction of civilization as we now know it.

Societies today all over the world are afflicted with a bewildering array of social problems that threaten to undermine the stability of nations. Let us look at the situation in the United States:

1. Crime is endemic. One of every five U.S. citizens has been mugged, robbed, assaulted, or has had his or her house broken into at least once during the past year. Our system of justice seems hardly able to cope. For every 500 crimes, only about twenty adults and five juveniles are sent to jail.
2. Drug and alcohol abuse is common. One person in five reports that drinking is a problem in his or her home. Alcohol abuse leads to thousands of domestic disputes, homicides, suicides, and traffic fatalities. The death toll is estimated to run between 50,000 and 200,000 a year. The dollar cost – in medical bills, property damage, lost wages and productivity – reaches $100 billion annually.
3. One person in five says he know of at least one case of child abuse in his neighbourhood; and a like number know of at least one case of spouse abuse. Nearly half of America's marriages end in divorce, and one in every six births is illegitimate. The cost to the taxpayer is put at around $6 billion a year.
4. An estimated twenty per cent of the U.S. population is functionally illiterate – lacking the basic skills in reading, writing, arithmetic needed for day-to-day living – and about fifty per cent are just getting by. The National Commission on Excellence in Education concluded, "The educational foundations of our society are presently being eroded by a rising tide of mediocrity

that threatens our very future as a nation and a people."

5. Cheating is "epidemic and big business" across the United States, Hattye Liston of North Carolina Agricultural and Technical State University told the annual convention of the American Psychological Association. "Cheating," he said, "has become an American pastime".

... "Cheating," he said, "has become an American pastime" ...

Liston cites these findings:

– About $100 billion a year is lost through tax cheating;
– Extramarital affairs are at "epidemic proportions";
– Fraudulent telephone charges cost millions annually;
– Department stores lose more than $4 billion a year from pilferage;
– Fourteen per cent of students have defaulted on federal education loans;
– About sixty per cent of employees improperly use company postage meters.

Surveys suggest that the U.S. public and publics in other nations have become disillusioned by the inability of governments and other social institutions to solve these pressing problems. So in the face of what the public perceives to be the ineffectual response of governments, they have begun to take matters into their own hands through a wide variety of citizen-involvement programs. Here are some of the examples of how the U.S. public is fighting back.

Citizens groups have formed in the inner cities to rescue neighbourhoods from blight;

Communities have started programs to aid the fight against crime. In fact, citizen involvement is credited as an important factor in the recent drop in the crime rate;

Organizations like MADD (Mothers Against Drunk Drivers) have galvanized public awareness and spurred tougher action, with the result that the number of traffic accidents and motor-vehicle-related deaths has declined, a trend that experts attribute in part to more stringent enforcement of penalties against drunken driving;

As many as twenty million Americans are now members of special-interest organizations, and another twenty million have contributed money to such groups during a recent twelve-month period;

Parents are joining with teachers in new efforts to deal with problems facing young people, such as alcohol and drug abuse;

Self-help groups for people who share a particular medical, emotional, or social problem are springing up everywhere. One estimate puts the total at more than 500,000 and the number of participants in the millions.

The activity of volunteer groups such as these suggests that social change in the years ahead may come from the bottom up rather than the top down. This impetus from the grass-roots will increasingly take the form of referenda and initiatives forcing government action.

An observer of the American scene might easily conclude from the multitude of serious problems afflicting the nation that our values are collapsing and we are becoming a disenchanted people. But neither proposition is true. Though we are probably more uncertain about our values today than in the past, surveys find that the American people still consider the personal aspects of their lives – their family, health, and self-respect – to be far more important than the possession of material goods.

> *... American people still consider the personal aspects of their lives ... far more important than the possession of material goods ...*

Furthermore, Americans continue to believe in the traditional values. As many as ninety per cent, for example, say they would welcome "more emphasis on family ties", and a similar proportion favours "more respect for authority". Only one in four would like to see "more acceptance of sexual freedom", and only one in eight would welcome "more acceptance of marijuana usage". While it may be true that the population is less spiritually committed than in the past, the vast majority say they wish their personal religious faith were stronger and that they want religion to play a greater role in society.

A remarkably high percentage of Americans express satisfaction with the way things are going in their own lives. This is particularly true with regard to the most important dimensions–family life, relations with other people, health and the quality of the communities in which they live. But at the same time there is a tragically wide gap in satisfaction levels between the top and bottom groups on the socioeconomic ladder. Tose a the top need to find ways to reach down–in a loving, caring manner–and not only to help those at the bottom but give them fresh hope.

What is called for is a kind of crisis intervention on a broad scale, and international in scope, with high self-esteem people meeting and working directly with low self-esteem people. As columnist Andy Rooney put it, "If you have your health, some happiness, some money in the bank, you don't need help. The chances are you ought to be helping someone who does need help." The first step is caring in a deep way. If we truly care about the plight of others, we will do something – we will be impelled to action.

It is very difficult, however, to really care unless one comes face to face with people in need. We have to do more than spend money. Thoreau once said, "If you give money, spend yourself with it." If those who serve on boards or committees dealing with human needs, for example, matched every hour spent sitting in the boardroom with an hour of direct, face-to-face involvement with the less fortunate, society would feel the impact and our committee work would be given new life.

Nearly one person in three today in the United States is involved in direct person-to-person work with the underprivileged, the infirm, the handicapped and the elderly. And despite the high mobility of Americans, the rise in the number of women in the job market, and claims by some social observers that Americans are becoming increasingly alienated from one another, the level of volunteerism has actually been increasing.

This massive volunteer effort is, of course, absolutely essential to our social well-being. And I agree with those observers who believe that volunteerism is our best hope for the future – for the United States and for other nations, as well. And I believe the day is not far off when the United States will institute a program of mandatory national service requiring every young man and woman to give one year of service, either military or non-military, in the service of their nation.

There are many advantages that could come from such a program. It would bring people of diverse backgrounds together; provide on-the-job experience; give young people time to plan their careers and their lives. It would meet certain of the social ills of our society head on, with young people, for example, working and cleaning up slum areas, working in hospitals, doing many other kinds of desperately needed jobs in our society.

Finally, such a program would meet the problems of youth unemployment head on. Now such a program would cost a great deal of money, but when you think of the enormous cost of problems related to unemployment problems in our country, the cost is very small indeed.

Despite their awareness of the many problems confronting our nation, the American people are far from despondent. Surveys show that they continue to have confidence in the future. There is a strong feeling that we are learning to adjust to the rapid rate of change that we have experienced in recent decades. And there is an abiding conviction that each of us as individuals can do much to turn things around.

And, despite the bleak trends we note in our nation, and in other nations, there are some profoundly encouraging ones that have been building over the last half-century. None is more encouraging than the growth in tolerance toward persons of different races, religions, and other background characteristics, a growth in tolerance that parallels the increase in the level of formal education.

> *... Forecast 2000 ... organized ... responses into nine "future forces": the nuclear threat, overpopulation, economic pressures, technological progress, the "environmental emergency", crime and violence, the "faltering family", personal health, and political issues ...*

As a case in point, in 1937 we found that only thirty-one per cent of Americans would vote for a woman for president of the United States. The figure today is eighty per cent. And around the world – we discovered in a Gallup international survey covering sixty per cent of the Free World – large majorities in each nation thought women were making headway in their efforts to gain an equal footing with men in business and in education; and in virtually every nation it was the strong desire, of both women and men, that women continue to make gains.

For the book, *Forecast 2000,* we interviewed 1,346 opinion leaders and asked about the state of the United States and the world in the year 2000. We organized their responses into nine "future forces": the nuclear threat, overpopulation, economic pressures, technological progress, the "environmental emergency", crime and violence, the "faltering family", personal health, and political issues. We asked our survey respondents to comment on the current significance of each "force" and on its probable significance in 2000.

In seven of the nine areas, these leaders admit to large measures of optimism. They see the number one problem – the nuclear threat – diminishing in importance by 2000. But in two areas the future looks particularly bleak. While only sixteen per cent see overpopulation as one of the top problems today, thirty-eight per cent see it as such by 2000. And environmental pollution jumps from thirty-nine per cent to fifty-five per cent.

In regard to the number one problem – nuclear threat – nearly eighty per cent of the opinion leaders not only favour a United States-Soviet Union agreement to stop building nuclear weapons, but urge the destruction of all existing stockpiles. And fifty per cent of those polled suggest there be a global referendum to allow the citizens of each nation to vote on nuclear disarmament. Many favour limiting the sale of arms to other nations. A major concern is the capability of a growing number of nations to produce nuclear weapons.

Overpopulation in the future is another major problem in the view of these opinion leaders. Steps that could be taken include an improvement in food distribution; and more movement of the populations from the larger urban centres is desirable, but on a voluntary basis.

What do these visionaries see as an ideal society? It is a society with universal education, zero population growth, shared technology worldwide, and wealth equitably distributed. Even with the spectre of the mushroom cloud, those who are optimistic about the future outnumber the pessimists by about three to one. They base their optimism on human ingenuity, the basic good

Lloyd Robertson, George Gallup III and Frank Kielty, President of the Canadian Gallup Poll

sense of people, the vital contributions of volunteers in our societies, and the expected bounties of technology.

Many see education playing a key role. Indeed, Americans and Canadians place a great deal of faith in education. In a Gallup Poll in the United States, for example, we discovered that eighty-two per cent believe that our educational system will be very important to the future strength of the United States.

And one must not, I believe, overlook the power of deep spiritual commitment to change society. In recent years we have begun to explore what might be regarded as the final frontier for survey research – the spiritual life of mankind: how vital is the religious faith of people around the globe – what are the signs of an active faith, and the like? In all of our surveying of the spiritual life, no findings are more exciting to me than those dealing with the spiritual dynamic of Americans' life, a dynamic that often has more to do with how we think and behave in society than do the more traditional background characteristics such as age, level of education, political affiliation and the like. Indeed, those in our surveys who fit the category of "highly spiritually committed" appear to be a "breed apart" from the rest of the populace in at least four key respects: they are far more involved in charitable activities than their counterparts; they tend to be more tolerant of persons of different races and relations than the less spiritually committed; they place greater importance on family life, and they are far happier than those who are less committed in their spiritual lives. Although few in numbers, these persons clearly are having a disproportionately powerful impact on society.

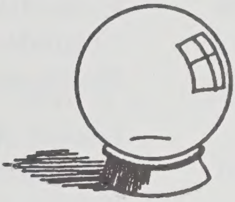
But the key is deep spiritual commitment, not mere religious involvement. For as Jonathan Swift once observed: "We have just enough religion to make us hate. But not enough to make us love one another."

One thing is certain as the world spins toward the year 2000. Nations must increasingly depend upon each other. And no two nations are so allied in mutual interests and in friendship as are Canada and the United States. In this respect I am happy to report that a recent report by the Canadian Institute of Public Opinion shows a growing number of Canadians holding the view that Canada and the United States are growing closer together. A majority of fifty-seven per cent now hold this belief – by far the highest proportion recorded during the fifteen years that this question has been asked.

Are Americans and Canadians facing a grim future as the world moves toward the year 2000? From my perspective as a pollster, I would have to say we are not. The positive forces of moral and spiritual values, broad public education and volunteerism run deep. They make me optimistic in the long run about our prospects.

The year 2000 will likely be a watershed for our nations and could be the gateway to a new millenium that holds the promise of great progress and advancement.

Let us seize this promise and make the future forces work – for our greatest good and that of our posterity!



The appreciation of the audience was expressed by Ronald Goodall, a Director of the Club.

Head Table

Michael Adams
President, Environics Research Group Ltd.

The Hon. Andrew Brandt
Minister of Industry and Trade

Paul D.J. Clark
Account Executive, Burns Fry Ltd.
Director of the Club

Fraser Deacon
Chairman, Metro Toronto Community Foundation
Director of the Empire Club Foundation

Ralph Garcia
Gd. 13 student, Central Technical Collegiate

Ronald Goodall, C.A.
Partner, Goodall and Peacock
Director of the Club

Frank Kielty
President, Canadian Gallup Poll

Margaret Pascu
Host of "Listen to Music" on CBC stereo

Rev. Charles Plaskett
Executive Director of Confederation of Church and Business People

Lloyd Robertson
Anchorman and Senior Editor, CTV News

Alexander Ross
Editorial Director, CB Media Ltd.

Lindsay K. Shaddy
Articling student, Porter & Posluns
Director of the Club

Allan R. Taylor
President and Chief Operating Officer
The Royal Bank of Canada

FINANCIAL INDUSTRY RESTRUCTURING: A USER'S GUIDE

March 14, 1985

The President
Catherine R. Charlton, M.A. Chairman

C.R. Charlton

Honoured guests, ladies and gentlemen: When, as is often done by speakers and writers, a nation like Canada is pictured as a living organism, it is fitting to think of banking as the vascular system of that organism, distributing and purifying the life-blood of a free enterprise economy – money and credit.

As I say, this is a truism, but, in our avid search for originality, it is sometimes forgotten that a truism is also true. The banks of Loch Lomond may be bonnie, as the poet claims. I do not know. I have never dealt with them, but I think we all feel that Canada is very lucky in its "vascular system". To stretch my simile to the breaking point, our economy may sometimes suffer from anaemia, or thrombosis, but on the whole, year in and year out, it functions extremely well.

One of the men that helps keep it that way is with us today. Mr. Allan R. Taylor, President and Chief Operating Officer of Canada's largest bank, the Royal Bank of Canada, with branches in forty countries, exerts a quiet but profound influence in the banking world, both nationally and internationally.

Born in Prince Albert, Saskatchewan, about fifty years ago, Allan Taylor joined the local branch of the Royal when he was sixteen years of age, fresh out of high school. Those were the days when virtually every banker was trained on the job, in the good, hard school of experience. After working in various Saskatchewan branches of the Royal, Allan Taylor was moved east and gained experience in Toronto, Hamilton, New York and Montreal. His first big appointment came in 1971, when he was named manager of the main branch in Toronto. From then on, promotion came rapidly, and after several head office appointments (including head of the International Division), he was elected to his present office, responsible to the chairman.

Mr. Taylor's colleagues describe him as a "team player" known for his ordered, logical, departmentalized thinking habits. They also give him credit for his coolness in helping steer the bank successfully through a period when the world's economic system has been seriously threatened by the possibility of concurrent defaults by major borrower nations.

Mr. Taylor is dedicated to strengthening the rapport and interaction between the theoretical world of the academic and the business world. As a result, he serves on advisory committees of several universities, and is deputy chairman of the Corporate Higher Forum. He is married and has two children, both at Canadian universities. For the next few minutes he will lead us through the complex maze of national and international banking.

With pleasure, I introduce to you the President and Chief Operating Officer of the Royal Bank of Canada, Mr. Allan Taylor.

Allan Taylor

Allan Taylor

In business and industry, nothing today is more constant or more fashionable than change. When we point with pride to new products and services, we call it "innovation". When change is more far-reaching, we say it is “progress”. And if we view it with some reservations, or even alarm, we may call it “revolution” or “industrial restructuring”.

Change is well underway in Canada’s financial system. More change is coming as the process of regulatory reform begins. Will it be progress? Who will benefit? Government is involved. The industry is involved – and vocal. But the system runs on *your* money, after all. So I believe real progress depends on you, the customer, having your say in the debate. That is what I want to talk to you about today.

The financial industry in Canada is in the midst of fundamental change. On Bay Street or in Ottawa, you are likely to hear the condition labelled “financial services industry restructuring”. That mouthful means that the business of supplying credit, deposit-taking, insurance, brokerage, fiduciary, leasing, factoring and many other financial services to Canadians, will never be the same again. But the term “restructuring” is misleading, if you think what is going on in financial services bears much resemblance to what has been called industrial restructuring.

By and large, among Canada’s financial institutions, plant and equipment are not obsolete. Production methods and service delivery systems are not inefficient. Customer demand is not declining.

On the contrary: Take the example of the automated banking machines serving millions of Canadian consumers across the country, as much as seven days a week, twenty-four hours a day. Banks currently have some 2,400 machines in service; credit unions another 500 or so; and the trust companies now entering the field have about 100 machines installed. All told, these 3,000-odd machines are handling an average of about four million customer transactions per week. Different kinds of financial institutions are in the process of linking their networks nationally – and, in the Royal Bank's case, we are linking up with the 3,800 banking machines of the PLUS network in the United States. That is the beginning of giving customers the international convenience and service that they now enjoy at home. Europe and the rest of the world are next!

Naturally, I am not suggesting that *all* banks are great – or all trust companies, for that matter! But speaking for my own industry, I can say that several Canadian banks are on the leading-edge of change – technological, entrepreneurial, information-based and service-oriented. So then, recognizing that most of Canada's financial sector is already functioning efficiently and well, what do we really mean by "financial industry restructuring"?

The simple answer is that structural change in a healthy, competitive industry means "growing pains". We are changing. So is the world around us. New technology is forcing change. Competition has never been stronger. Customer needs have never been broader. And in our drive to improve customer service, the industry is growing out of its suit of government regulation. You might say, the regulatory suit is already bursting at the seams!

As financial companies outfit themselves for the next decade and beyond, we are seeing rapid growth in the number and variety of financial services offered to Canadian consumers and businesses. In many cases – such as the automated banking machines, or the cash management services now available to individual investors, as well as to corporations – electronic technology is the *instrument* of change. But the driving force is still the classic "push-pull" of the marketplace – where customers are pulling for new services, we are pushing to get ahead of them and anticipate their needs.

All of us in financial services are struggling for market share–and that is benefiting customers. Those of you in the corporate market will know that pricing has never been more advantageous to you. In the mortgage market, customers have been seeing rates *below* prime. At the Royal, we have kept increasing our share of the independent business market. That is a hard competitive fight we are winning – and we are proud of it. Because, in every area of the industry, there is no question that the competition is tough, and getting tougher all the time.

... the trend is toward diversification and interdependence in financial services ...

In just the last five years, there are sixty-one new banks in Canada and eight new federal trust companies. And new investors are moving into the field and using the holding company structure to build financial conglomerates. Trilon, Power Financial Corporation and Eaton/Bay Financial are some of the names that may yet become household words in financial services. (Though I think it will be a while before a Liberace tells us he's "laughing all the way to the financial conglomerate"!) Overall, the trend is toward diversification and interdependence in financial services and the companies providing them. And that is changing the basic structure of the financial industry.

From the customer's viewpoint, this simply means that, in Canada today, you can get financial management services from an insurance company; open a deposit account with a stockbroker; go to a bank for discount brokerage services; buy trust services from your department store; or take out life insurance at your bank or credit union, to cover a home mortgage or an independent business loan. And as their services overlap, so do the various segments of the financial industry. A new mosaic is taking shape, integrating old industry structures with the new. And that is progress – progress which could go farther than the current regulatory regime allows, as financial companies compete and customers benefit.

These changes in financial services are important to *all* Canadians. As consumers or business people, wage-earners or pensioners, home-owners or corporate borrowers, savers or investors or both – it is *your* money that is involved, as I have said. Your assets in deposit-taking institutions are our liabilities. You have given them to us expecting service, and because you have confidence in your financial institutions. As users of financial services, you also expect and rely on government regulation and supervision to promote, even to ensure, the soundness and efficiency of the financial system and all its component parts – from banks and investment dealers, to credit unions, insurance firms, mortgage loan companies, and so forth. Any change in industry regulation must maintain your confidence in the system, and in the prudent management and safety of individual financial institutions.

In Canada, there is no question of our looking at anything as dramatic as U.S.-style deregulation of the financial industry. Regulatory reform – “re-regulation”, one might say, is more our style. But there is no doubt that the rules *are* going to change. The only question is "how?" And who should have a more legitimate voice in "how" than the people who give us the money we use?

The fact is, the financial services mosaic has changed *in advance* of regulatory reform. As I mentioned, the competitive drive into new service areas has made the old suit of rules obsolete – and in many areas, it is straitjacketing the industry. For example, federal trust company legislation was put in place back in 1912. There have been amendments, but no full-scale revision, since. The insurance industry in Canada is still operating under Acts that are fifty-three years old and waiting for a full-scale regulatory review. The Cooperative Credit Associations Act was last revised in 1974.

Not only is much of the legislation and regulation overdue for revision, but it is overdue at a time of change that cuts across *all* financial sectors. And it is overdue for revision federally and provincially, in eleven separate jurisdictions which do not alway co-operate fully. So, logic would say we need some degree of synchronization in our re-regulation of the financial industry. We must not attempt to do it, bit by bit – this section of the industry now, in one or another of the provinces; that section in a year of two in Ottawa.

Our legislators and regulators, both federally and provincially, are very much aware of the problem. At present, the federal government and five of the provinces – Quebec, Ontario, Saskatchewan, Alberta and British Columbia – are already in the process of examining those parts of our financial system which come under their respective jurisdictions. Here in Ontario, for instance, the Dupré Task Force has recently filed its "Interim Report on Financial Institutions" with a view to amending the province's Loan and Trust Corporations Act, in particular. Almost simultaneously, the Ontario Securities Commission also made recommendations that could change the face of the Canadian investment industry. The task ahead of Canadian regulators is truly monumental!

> *... The task ahead of Canadian regulators is truly monumental! ...*

The time is long past for going about the regulatory process piecemeal. Yet, as I have indicated, that is all we have to date. As Ontario's Dupré Task Force recently stated, with an outright expression of regret – "no cohesive national process yet exists to accommodate these various approaches". Different levels of government have separate powers over areas of the industry, while the financial industry itself is an increasingly integrated and interdependent system.

As things are, I think we stand a fair chance of mounting this horse and riding madly off in all directions! What else can we reasonably expect, if regulatory authorities try to get the measure of the beast with only a firm grip on a nose or a tail?

You might well ask, then: If the system is healthy, if regulatory change is likely to be piecemeal and disruptive, why not settle for the status quo? If it ain't broke, WHY FIX IT? Again, I think there is a very simple answer.

The status quo has already vanished. The regulatory structure needs rebuilding now, to fit the new pattern of the industry. We have no rules at all for some parts of the industry, such as the holding companies providing financial services through subsidiaries. These and other new inequities in the system need to be corrected – not for the benefit of the players, but for the benefit of *the public*.

At the Royal Bank, we have come to the conclusion that there is only *one* kind of change worth making in the regulation of the Canadian financial industry. And that is *any* change which can be clearly defined to benefit Canadian customers. Sound and beneficial regulatory reform will require careful consideration of such questions as the potential for conflicts-of-interest. Just about every type of financial institution is in the business of deposit-taking today. So, protecting depositors' funds – whether by reform of the Canada Deposit Insurance Corporation, or by other means – is another area that deserves critical scrutiny.

On every issue, the acid-test of any move to deregulate, or re-regulate, is *cui bono?* "Who profits by it?" "Who benefits?" If it is only a particular industry sector, rather than its customers, then it is not a change for the better, and it is back to the drawing-board!

Unfortunately, so far in the debates on financial industry restructuring, we have tended to hear mainly from partisan voices – people who speak only for one segment of the industry; their own sector's market share; or their private corporate interests.

I would like to ask: *Cui bono?* Who benefits?

Those partisan speakers will tell you that banks, trust companies, credit unions, insurance and investment firms – government savings offices, treasury branches, venture capital companies – leasing, factoring and mortgage loan companies, not to mention, the financial conglomerates, all add up to only "*four* pillars" in the financial industry!

They will not bother to tell you, for instance, that credit unions (with nearly five times the total assets of the Canadian investment industry) have grown up to be the fourth largest pillar in this colonnade of financial suppliers. And you will not hear them mention the facts, brought out by the Dupré Task Force, that in the allocation of distinct powers to offer financial services, trust companies have eighteen or nineteen such powers; investment dealers have fourteen; the banks have only thirteen; and the credit unions only nine powers.[1]

Instead, these people will say that the entire industry is dominated by a single so-called "pillar" – the chartered banks. And they will talk about strengthening the weak by weakening the strong, or levelling the playing field, when what they mean is levelling the players!

Once again, I ask: *Cui bono?* Who benefits?

The plain fact is that the market dominance of the Canadian banks is a myth. It is time to explode it! The industry as a whole employs more than 146,000 people in Canada. With more than $90 billion in loans and other assets, the Royal is the number five bank in North America and one of the top twenty banks in the world. But a *fair* comparison with other sectors of Canada's financial industry would be solely on the basis of *domestic* assets administered or effectively controlled.

Domestic assets make the comparison fair because, contrary to another popular myth, the Canadian banks do *not* fund their international loans with Canadian depositors' money. We use foreign deposits to fund foreign loans. So, on the basis of domestic assets under control, you get a realistic picture of the financial industry in Canada, and one that may surprise you. Because, big as the banks are, they make up *less than forty-three per cent* of Canada's financial industry. And our share of Canadian deposits is declining, and has been declining for a long time.

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[1] *Interim Report of the Ontario Task Force on Financial Institutions (December 1984), pp. 7 and 10.*

You may also be surprised to learn that, on this basis, the new financial conglomerates emerge among the very largest financial institutions in this country. For example, in domestic assets, E.L. Financial Corporation, with some $20 billion under its control, is bigger than the National Bank of Canada, and nearly the size of either the Bank of Nova Scotia or the Toronto-Dominion Bank. It seems to me, the playing field *is* level!

What about the banks' share of individual markets in Canada? Let us look at two areas – consumer lending and mortgage financing – where the banks have made strong competitive inroads since the 1967 Bank Act revision permitted them to move into these fields.

Over the last twenty years, the banks increased their market share from forty to sixty-seven per cent of consumer loans, and from about seven to thirty-three per cent of home mortgages. According to the Royal Commission on Corporate Concentration in 1978, the entry of the banks also increased the volume of consumer credit in Canada. The banks' aggressive competition reduced interest rates on this type of lending and made rates more uniform across the country.

For example, in 1967, when a typical car loan by a sales finance company was costing consumers *eleven to eighteen per cent over prime*, the banks came in with personal loans at four and one half per cent over prime. And the same fixed-rate loan for your car purchase is available at about *three per cent* over prime today. Is there someone here who would like to suggest it would have been in the public interest for banks to be barred from these markets?

In residential mortgages, once again, the 1978 Royal Commission commended the banks' competitive drive, reducing interest rate margins. Is that *bad* for the public? Banks, with their network of over 7,000 branches across Canada, made home mortgages and lower rates available to Canadians in many towns and villages where no other financial institution had been able or willing to lend. Who benefited? The customer. And it shows up in the fact that banks accounted for more than forty-five per cent of the increase in mortgage loans in the first half of 1984 – when no financial service field today is more competitive than mortgages. That market share increase was earned through service.

Those who think "big is bad" and hold the size of Canada's banks against them, let them at least understand what the banks' size represents – not an accident, not just history, not privilege – but a proven record of service to customers. Here in Ontario, the Dupré Task Force recently surveyed public opinion on financial institutions. The poll showed that thirty per cent or less of the population felt "very confident" about the money they might put in trust companies, credit unions or insurance policies. But more than double that number said they were "very confident about the safety of money" in the bank. That is not just size. The public preference is founded on experience.

Yes, there are big loans outstanding with the developing countries; and bank loan losses in Canada have been at historic highs over the last few years. But is that irresponsible management? Or is it unavoidable, when our customers have had to contend with the bloodbath of worldwide recession and record-high interest rates? Does that make everyone who lost money, or even his or her own business, a bad manager? In well over half a century, no one has lost a single cent on deposit with a Canadian chartered bank – a record of prudential management that cannot be matched by any other sector of financial services.

Canadian banks are by no means perfect. But we are very good at what we do – delivering a wide range of financial services, to all of Canada and to much of the rest of the world, safely, efficiently and, yes, at a profit. Our directors are widely representative of Canadian business and industry from coast to coast. They work diligently and effectively to serve the interests of hundreds of thousands of bank shareholders. Our employees are at work around the world, serving Canadian interests and customer interests.

I will match the record of the Canadian chartered banks against any other sector of financial services, any time, any place, and be proud to do it. So, I am personally a little tired of attacks on banks that impugn the integrity of directors and employees, or their competence – attacks that are, in fact, nothing more than thinly disguised attempts to prevent us from building on our record of service. Requests for continued or expanded monopoly powers on certain kinds of financial services, are requests directly opposed to the public interest. And if, on examination of the facts, you the customers agree with me, I hope you will say so – loud and clear!

What does the Royal want from restructuring? Gradually expanded powers for *all* sectors of financial services. No other solution is fair either to the providers of financial services or, more importantly, to our customers.

How does the Royal believe it should be accomplished? Gradually, and with a regulatory structure that stiffens and strengthens the protections against self-dealing; against conflicts of interest; against imprudent management. But we should also be careful that regulation does not prevent the creative force of the marketplace from continuing to stimulate and guide the industry's growth.

And this time, restructuring must not be piecemeal, with a change federally now for one sector, a change in one province next year for another sector and so on. The external forces – technology, competition, customer demands – and the already large and increasing interdependence of the industry, make that route the wrong one for all of us. But most of all, it is wrong for the people whose funds we hold and whose interests we serve – you.

Are those difficult goals to achieve: gradual, across-the-board expansion of powers, harmonized between jurisdictions, simultaneous across sectors, and with better safeguards from regulators? Yes, but not impossible.

For the next several years, at luncheons like this, and in many other fora, you will have the dubious pleasure of being harangued by people like me, and others from the industry. You will observe that our views differ and that our proposals vary. But I suggest that our rhetoric should, in all cases, be subjected to the same test: *Cui bono?* Who benefits? And I urge *you* to apply it!

The appreciation of the audience was expressed by Harry Seymour, First Vice President of the Club.

Head Table

George Blumenauer
Chairman, Otis Canada Inc.

Jack Brindle
President, Sun Life Assurance Co. of Canada

Dr. Clarence B. Crummey, M.D., F.C.F.P.(C)
Director of the Club

Rendall Dick, Q.C.
Member, Ont. Task Force on Financial Institutions
Under Treasurer, Law Soc. of Upper Canada

Rev. John Furry
Minister, Agincourt Baptist Church

Robert Gratton
Chairman & Chief Executive Officer, Montreal Trust Company

J. Howard Hawke
Chairman, Bache Securities Inc.

Arden Haynes
President & Chief Operating Officer, Imperial Oil Ltd.

Henry N.R. Jackman
Chairman of the Board, Empire Life Insurance Co.
Past President of the Club

Ruth Macdonald
Director of Development, Canadian Institute for Advanced Research

Tricia O'Malley
President, Can Assoc. of Women's Executives
National Director Accounting Resources, Thorne Riddell

Charles Rathgeb
Chairman, Comstock International

Robert Robertson
Gen. Mgr., Food and Household Cleaning Products Div., Procter & Gamble Inc.
Director of the Club

Harry Seymour
President, Dominion Securities Pitfield Investment Management Ltd.
First Vice President of the Club

Robin Younger
Chairman, Toronto Stock Exchange
Vice President & Chief Operating Officer, Dominion Securities Pitfield Ltd.

The Hon. Larry Grossman, Q.C., M.P.P.

Treasurer of Ontario and
Minister of Economics

THE COURAGE TO CARE

March 21,1985

The President
Catherine R. Charlton, M.A. Chairman

C.R. Charlton

Honoured guests, ladies and gentlemen: For two generations, the name Grossman has been an esteemed and influential one in the government of this province. Most of you, I think, would agree that Ontario has been the better for it. Both the father and the son have held various cabinet portfolios, devoting a large part of their lives to serving the people of this province. The Honourable Larry Grossman, who addresses us today has two young sons and a daughter. Who knows? Perhaps what we have here has the makings of a dynasty!

Larry Grossman was elected to the Legislature ten years ago from the same riding that sent his father to Queen's Park for twenty years. Two years after he was elected, Larry got his first cabinet post – Consumer and Commercial Relations. In succession, he moved to Industry and Tourism, Health, and currently, Treasury and Economics. He was re-appointed to that post recently, after his narrow escape – just 77 votes – from being elected party leader and, automatically, Premier of Ontario.

He is known at Queen's Park as an innovator. Some consider him a bit left of centre in Tory politics. In his first cabinet post in the late seventies, he rewrote Ontario's securities legislation; re-designed the province's condominium legislation and raised the drinking age limit to nineteen. He took a leading role in the establishment of six badly needed technology schools. He initiated the very successful "Yours to Discover" tourism promotion. He can take credit for having contributed greatly to Ontario's top-rated health-care program, and has earned several awards for his mental-health program. In Finance (now his main responsibility) one of his guiding principles has been that strategic investment, not temporary stop-gap solutions, is the best way to ensure future economic growth.

Andrew may be the patron saint of Scotland and Patrick the patron saint of Ireland but let me present to you the patron saint of St. Andrew - Saint Patrick, the Honourable Larry Grossman!

Larry Grossman

During this season, members of the Empire Club have heard detailed analyses of economic forecasts, financial outlooks, market trends and trade relations from a wide range of speakers with views as diverse as those of Henry Kaufman, Ken Harrigan, Allan Taylor and Maurice Greenberg. I was not invited today to add yet another economic analysis to those you have already heard. Instead, I was asked to discuss some of the ideas we raised during the recent leadership campaign, and specifically the themes of my address to our party's delegates at the leadership convention eight weeks ago.

Whatever the personal disappointments of defeat, they pale when compared to the sense of exhilaration and satisfaction of having fought in common cause to invigorate and renew a party deeply committed to the critical human, social and economic issues of our time.

The Hon. Larry Grossman; Catherine Charlton

I believe this province is at a crossroad. To build the future, we must assert what that future must stand for. We must choose a future that embraces the values of humanity and mutual respect, freedom and a shared opportunity born from a shared concern for each other. When I spoke at the leadership convention, I urged the delegates – and through them the public – to take neither economic growth nor equitable sharing of that growth for granted. I also urged them not to trade off one against the other. What I said was that in order to have both we would all need courage. We would need the courage to care.

There is no disagreement within our party about the need for economic growth – growth that is driven by the private sector. There is no disagreement about the need for common-sense policies that reduce government regulation, create a fairer and more equitable tax system, and give business the freedom to compete and create jobs for our people. There is no disagreement about the need to control government spending, or to control government's total share of the total wealth of the community. Those are not the issues. On those we all agree. Under the leadership of our new Premier, we are ready to move forward. We are ready to take the next step – united in a common spirit of partisan solidarity.

Today, I want to share with you some of the causes I hope that spirit of solidarity will be marshalled to serve. They are the causes I carried forward during the recent campaign for the leadership of my party. They are the causes for which we must all now have the courage to care.

> *... if government is to remain relevant ... those who are elected to serve the people will have to find a new humanism and sensitivity ...*

I believe that if government is to remain relevant – if it is to remain worthy of public confidence and trust – then those who are elected to serve the people will have to find a new humanism and sensitivity with which to share public policy and guide political progress. We will have to find the courage to speak not simply at the "macro" or "big picture" level, but to address the individual human circumstances that those of us in public life have a duty to improve.

For politics is not so much a question of systems or programs as it is a question of people – their individual problems, their individual circumstances, their individual needs. It is a question of people who have been locked for generations in the cycle of welfare dependency and are looking for a way out. It is a question of women who want a fair deal – in the home, in the workplace, in society. It is a question of young people looking for the opportunities they need to build the lives they want. It is a question of older workers who must have the chance to upgrade their skills, regain their self-confidence and re-establish themselves in the workforce.

To me, those are our most pressing human and social responsibilities. But I worry sometimes that we, as a society, have become somewhat distant, somewhat removed and somewhat desensitized to the human and personal dimension of the collective challenges we face together.

... It is easy for the ninety per cent who are working to think of those who are not working as statistics ...

It is easy for the ninety per cent who are working to think of those who are not working as statistics – as part of some unavoidable problem of "structural unemployment" we can do little about. For I have often heard economists describe unemployment in precisely those terms. It is easy to concentrate on the mainstream of society without thinking seriously about how those outside the mainstream actually got there – and just how painful being there can be.

Indeed, one of the passions that has driven me through ten years of political life is the commitment to ensure that the "mainstream" is not our "main focus". For in my view, a proper role for government must be to create opportunities for those outside the mainstream. We must ensure that the majority who *can* cope, the majority who *can* survive, never become the sole focus of government's action or the sole measure of government's achievement.

While satisfying the mainstream majority may result in electoral success, it should not be the yardstick for government's success. The success of my party has always been measured by our ability to marshall the efforts of the mainstream in support of those outside the mainstream.

Now, in the face of the restructuring of industry, the rationalization of excess capacity and the economic transformation underway in world economies, government and – I want to suggest to you – the private sector have a responsibility to ensure the humane and respectful re-deployment and re-orientation of those human beings who are affected.

The issue is not whether to modernize or not. I have been arguing for years that we have to modernize more quickly and more aggressively. We have to develop new skills, new technologies and a stronger commitment to entrepreneurship. We cannot afford to be slaves to caution. We must embrace the future. So the issue is not whether to modernize or not. The issue is *how* to modernize without dehumanizing our very society in the process.

For the kind of economic progress our province needs is progress accompanied by social compassion. If we do not stand for those principles, if we do not act in their defence, if we do not work to protect them, we will turn our backs on the tolerant and moderate society that generations of Ontarians have worked so hard to build.

> *... the kind of economic progress our province needs is progress accompanied by social compassion ...*

Many who see workplace adjustment, or quality of working life issues, or trade unions, or collective bargaining, or training, or re-training as hindrances to a free economy misunderstand what a free economy really is in a civilized society. The kind of free economy I believe in is one where we all bring to the marketplace our skills, our capital, our hard work – and seek, through civility and negotiation, fair market recompense and participation in the process.

Indeed, the party I sought to lead knows that the primary duty of anyone who calls himself or herself a "Tory" is to ensure the greatest degree of fairness and equity.

That takes courage. It takes the courage to care.

– The courage to care about the farmers seeking long-term, fair and manageable credit;

– The courage to care about training and career counselling for our young people;

– The courage to care about dignity, self-respect and independence for our seniors – for those who built Ontario and deserve the best Ontario can offer;

– The courage to care about the mentally ill and the physically handicapped;

– The courage to listen to the quietest voice and hear the softest plea.

But the courage to care implies even more than this. It implies the ability to do something valuable, something sensitive, and something effective to give meaning to that care, and to help make society a better place for all our people.

As I look across my own riding, I see families who have experienced generations of unemployment and who are now trying to break out of welfare dependency.
– I see families now able to get the best health care in the world without charge – but who are not yet using it or accessing it as you and I do;
– I see schools struggling to keep pace with a multicultural, multi-coloured and multilingual society;
– I see single parents who require high quality, affordable child care if they are to participate fully in our economy;
– I see ex-psychiatric patients who need to be given jobs by you and the chance to build lives of dignity, purpose and self-worth;
– I see seniors in nursing homes who should be in their own homes.

They are the causes. They are the people. They are looking to government to provide them with an opportunity. They will be disillusioned if an economy that grows, a society that flourishes and people who prosper deal only with the problems of the mainstream.

You and I know how to ask, access and achieve through government. Surely government has an obligation to provide for those who do *not* know how to ask, those who *have not* gained access and those who *deserve* the chance to achieve.

These are the causes. These are the goals. As I believe we proved in the leadership race, they are not inconsistent with fiscal prudence or reduced deficits.

Indeed if we move now to address the root problems – rather than respond to the symptoms with government payments and subsidies – then ultimately it will cost the taxpayer far less. And we will turn lives of frustration and dependency into a future of hope and productivity.

... if we move now to address the root problems – rather than respond to the symptoms with government payments and subsidies – then ultimately it will cost the taxpayer far less ...

I have committed myself to help build a party that genuinely reaches out to all the people – a party that refuses to be the preserve of any interest group, any elite, or any demographic sector. For it is only that kind of party that can earn and justify broad, legitimate public support.

That support comes naturally to no one. It comes automatically to no political party in any genuine democracy. To my party, it has come only when we have had the courage to care. It has come when the competence of our performance has sustained the reality of those things we care deeply about.

The opposition must exaggerate, alarm and seek to divide – for that, to a certain extent, is their job. It is an inescapable ritual that is as much of a burden to them as complacency would be to the party I represent.

Dean Robert Pritchard, the Hon. Mr. Grossman and Hugh Segal

But history has proven that our party has never allowed complacency to take the place of the courage to care.

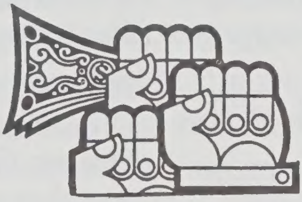
I do not know when Premier Miller will choose to dissolve the Legislature and seek a mandate from the people. What I *do* know is that when that happens, thoughtful Ontarians committed to moderation and progress would do well to do as we have always done – namely to take nothing for granted, and to look beyond the mainstream in every constituency and community of this great province.

Above all, our party must let the smug and the complacent, the self-righteous and the insensitive, the ideologically extreme and the rigid, reside elsewhere. The public expects and needs more. The public expects their government to be a home for the young and the old; the compassionate, the enterprising and the responsible; those seeking social justice and equity; those striving for security and independence; those seeking stability and equality; those who want to build a future of caring and courage. They must continue to be welcome. They must see government as their ally.

None of this happens automatically. It can be neither willed nor inherited. It cannot be a child of political convenience or voiced without conscience. It requires commitment and courage.

My belief is that the future belongs to those who believe in it. I believe in a future that shows government to be humane, sensitive, caring and efficient – a future where the accident of birth into poverty need not mean a lifetime of limitation and defeat.

It will take resolve. It will take focus. It will take commitment. And above all, it will require the courage to care.



The appreciation of the audience was expressed by Major Arthur Langley, a Past President of the Club.

Head Table

Sarah Band
President, Puss-Linch Mgmt. Inc.
Director of the Club

W. Donald Bean
President, Wood Gundy Inc.

Jean Louis Bourbeau
Director Head of Canada East, William M. Mercer Ltd.

Melvin Hawkrigg
President & Chief Executive Officer
Trilon Financial Corp.

John Herrick
Chairman of the Board, General Mills of Canada
Director of the Club

Major Arthur J. Langley
President, Combro Corporate Services
Trustee, The Empire Club Foundation
Past President of the Club

Montague Larkin, C.A.
Bache Securities Inc.
Second Vice President of the Club

Philip Lind
Sr. Vice President, Rogers Cablesystems

Rabbi David Monson
Rabbi, Beth Sholom Synagogue

Belinda Morin
Director of Equal Employment, Municipality of Metropolitan Toronto

J. Robert S. Prichard
Dean, Faculty of Law, University of Toronto

Graham Scott, Q.C.
Partner, McMillan Binch

Hugh Segal
President of Advanced Planning

Marlene Smith
Theatrical Producer, Producer of "Cats"

Robert A. Stevens
President & Chief Executive Officer, GSW Inc., and member of Canadian Music Centre's Presidents' Circle

Benjamin Swirsky
Vice Chairman, Bramalea Ltd.

George Taylor, M.P.P.
Member of Legislature for Simcoe Centre

The Hon. Flora MacDonald, P.C., M.P.

Minister of Employment and Immigration

THE CHALLENGE AHEAD

March 28, 1985

The President
Catherine R. Charlton, M.A. Chairman

C.R. Charlton

Honoured guests, ladies and gentlemen: It may be apocryphal, but there is a story going around of an elderly voter of feminine persuasion, in the constituency of Kingston and the Islands, an ardent, almost fanatical supporter of our guest, who in discussing parliament, summed up her feelings with the words: "Well, it seems to me there's flora, and the rest are mere fauna!" The American poet, Emerson, must have had somewhat the same feeling when he wrote; "Wherever MacDonald sits, there is the head of the table."

To begin at the beginning, Flora MacDonald first saw the light of day from the vantage point of Cape Breton. I say "vantage point", because not only do Cape Bretoners see the light of day before the great majority of Canadians further west, but also because Islanders are identified with several other good qualities, including a strong sense of justice, generously larded with a good sense of humour. Our speaker conforms to this tradition.

Her political commitment to the Progressive Conservative Party of Canada is long-standing. She served as Executive Director, P.C. headquarters, from 1957 to 1966, and then until 1969 served as the party's National Secretary. In 1972 she was persuaded to run for federal office as the Tory candidate for Kingston and the Islands. She won a comfortable victory. This vote of confidence from the electors has now been extended to her no less than four times. In the short-lived Clark regime, she served as Secretary of State for External Affairs. In the current government, as you know, she holds the sensitive portfolio of Employment and Immigration.

In the give-and-take, move-and-countermove, thrust-and-parry of our national political life, Flora MacDonald moves with poise, adeptness and conviction. This is the third time we have been able to persuade her to address us. Perhaps, ladies and gentlemen, if we give her a warm welcome, there may be a fourth!

With pride and pleasure, I present the Honourable Flora MacDonald, Minister of Employment and Immigration.

Flora MacDonald

I thank you for this invitation to speak. It gives me the opportunity to speak about the changes and challenges which are essential to the economic renewal of this country – indeed, our success as a nation.

The problems and opportunities facing Canada were discussed, as they never have been before, at the National Economic Conference in Ottawa last weekend. The very fact that the views of people from each part of the economy were stated clearly and frankly represents a great step forward in building a national consensus: a consensus on the future of this country.

Today, I hope to advance that process a little further. Both as Minister of Employment, and as a part of a government committed to finding solutions, the first statement of principle for me to make, is that jobs are *the* number one priority. On this, there can be no disagreement. The economic waste of high unemployment is painfully obvious. No less painful and no less obvious is its social cost – the loss of dignity, the dependency and eventually, the hopelessness.

The Hon. Flora MacDonald, P.C., M.P.; The Hon. Ronald Atkey, P.C, Q.C.

More than one million Canadians today are denied the basic right to lead productive, fulfilling lives. This cannot continue. This nation, not just its government acting alone, must create hundreds of thousands of jobs. To do so, we must face and surmount challenges and difficulties unprecedented in our history:

- A federal public debt that our young people cannot live long enough to pay off;
- An annual deficit which constrains our ability to respond fully to new needs and opportunities;
- A productivity record which continues to lag behind our partners in a fiercely competitive world;
- A decreased share of international trade.

But these are not the only challenges. We have entered an era, not only of *high* technology, but of rapidly changing technology. The emerging technologies can be applied to almost anything, almost immediately. They render skills and jobs obsolete just as quickly as they spawn new products. These technologies enable developing countries to establish a manufacturing and processing capability which, combined with the low wages of those countries, makes it much harder for us to compete. For the first time, global business corporations have the ability to shift investment, almost at will, from country to country, in search of economic advantage.

Of particular concern to Canada are the changes effected by the rapid rise of world energy costs since 1973. This spurred the development and production in many Third World countries of the very commodities and resources which had long been a stable and secure source of Canadian exports. That stability and security no longer exists. The fact that our mining industry is still able to compete is testimony to our expertise, our productivity and our determination.

In other sectors, however, our productivity has not kept pace with the competition; our expertise, our very considerable expertise in many areas, has not been fully realized. There are even those who have given way to the easier cry of protectionism. These are the everyday facts of economic life. And they leave us with few choices.

As a nation, we can hide from change – and simply seek to prop up the past: and in doing so, forfeit our future. Or we can see change as a means to a new level of world competitiveness and new economic growth – new jobs, in a more equitable society. These changes are not cosmetic. These adjustments are going to be tough and they carry a price tag. But we have no choice. If there are to be new jobs and more jobs, there must be change. As a government, we are committed to doing our part. And you, ladies and gentlemen, must do yours. We must work together, because alone we will not meet the challenge of change.

In Ottawa we are reducing the deficit and creating confidence. We are encouraging investment and strengthening small business. We are putting the energy industry of this country back in a position where it can thrive and grow for the prosperity of all Canadians. For the first time there is a government in Ottawa committed to building a skilled, flexible labour force. Success in this will ensure economic health for this nation and, for individual Canadians jobs and job security. In essence, that is my job: to enable Canadians to get training, to get skills, and, to get jobs.

> *... there is a government in Ottawa committed to building a skilled, flexible labour force ...*

Without question, the quality of our labour force is critical. It is the key to international competitiveness, to increased productivity, and to the making and selling of better products and services. And these are the keys to future growth and future jobs. A skilled and flexible labour force is one of the first and one of the most important criteria of any potential investor. Industry has discovered that a labour force with inadequate skills is every bit as damaging in the competition for profits as obsolete machines and old ideas.

Individual working men and women are finding out that new skills and training are necessary, not just for advancement but for job security itself. In fact, a recent survey showed almost sixty per cent of Canadian workers prefer new job training to higher wages, for just that reason. Canadian workers know that new skills mean new opportunities.

I have spoken about the need for change – a need that was fully recognized at the First Ministers Conference at Regina last month. There, all eleven First Ministers enthusiastically and fully endorsed the federal government's new labour market strategy. They were backing the new approach because it is clear the old one has not worked.

The old programs were so complex, so ridden with bureaucratic barriers, that business, labour and Canadians generally had simply given up on them. Paperwork and regulations had all but excluded small business – the single most important source of jobs in our economy. Training after training program led absolutely nowhere. Make-work job creation programs did nothing but shift people around like packages in a warehouse until they re-qualified for unemployment insurance. Training offered no hope; no prospect of lasting employment. Regional needs were ignored for the sake of national uniformity.

For the first time our goal is development, *not* dependency. Investment in people, not in bureaucracy. *For the first time*, major efforts are being made to enable employed Canadians to retrain for changing technology *before* they lose their jobs. *For the first time* a government is considering initiatives such as a registered training savings plan and skill development leave.

Every job creation program will contain a training component designed to give its participants skills they can use in the permanent labour force. *For the first time*, we will have the flexibility to meet the varying needs of varying regions. Community participation will be actively sought and encouraged. And in the search for new and effective solutions we have taken the unprecedented step of allocating $100 million to an innovations fund.

> *... For the first time our goal is development, not dependency. Investment in people, not in bureaucracy ...*

From now on, the private sector will share the responsibility, with government, for labour market development. And I tell you quite frankly, that if the private sector does *not* play its part, does *not* fulfill its role, our chances of success will be slender indeed.

If the needs of business must be met in order to create economic growth, then business must help meet the needs of its employees as well. With benefits come obligations, both for the individual and the organization.

You see people every day. You see the thirty-five year old warehouseman who must learn computer inventory control, or you will have to let him go. You have also seen the fifty-two year old man apply to you for work. He has twelve years' experience, but he was laid off work eighteen months ago. He has been looking for work ever since – and the defeat is beginning to show. It is for these people and for what they can contribute to our companies and to our country that we must change – that we must succeed.

If we are serious in our contention that human resource development is critical to our future success, then it stands to reason that this resource be developed to its maximum potential. Without exception.

... Opportunity has always remained less than equal for many in our society ...

Somehow, as logical as this may seem, it has never really happened in Canada. Opportunity has always remained less than equal for many in our society – no matter what efforts were made in the name of affirmative action. Others may have failed. This government does not intend to. Employment equity will be achieved because it lies not as an afterthought but at the very heart of our employment strategy.

At Regina it was agreed that henceforth there would be equal access to training and employment for women, native peoples and the disabled. Since then, I have announced the federal government's response to the Abella Royal Commission on Equality in Employment. I want to say without equivocation that this government is as committed to economic justice as it is to economic growth. In fact, we believe they are inseparable. Fairness and equality are not just words. They are the prerequisities of economic growth. Without them, there will be no national consensus – no national economic renewal. Achieving economic development must involve an attack on barriers to equity, just as it involves an attack on obstacles to growth.

The plain facts of inequality are clear.

– It is a fact that women, on average, earn only sixty-four cents for every dollar earned by men. Fully seventy-seven per cent of women are found in only five of the twenty-two major job categories – those at the bottom end of the salary scale.

> *... We challenge all sectors of our society to share in the responsibility of making employment equity a reality ...*

– It is a fact pointed out in the recently released study “Who Gets the Work” that whites have three job prospects for every one for blacks.

– It is a fact that half, *half*, of the employable but disabled people in Canada are unemployed. A fact that in many native communities the unemployment rate is *over* seventy per cent.

As a nation, we cannot afford to exclude these people. As a society looking to create new prosperity we cannot ignore them. It is too expensive and too inefficient. Give these people real opportunities and they will get real jobs. Give them jobs and they will create wealth. Generate wealth and there will be economic growth.

To lead by example, this government will require Crown corporations, federally-regulated businesses, and contractors providing goods and services to the federal government, to implement employment equity. To accomplish this, we will not create a massive and unnecessary enforcement agency. Rather, we will look to the expertise of the Human Rights Commission. We will not impose an unwieldy set of rigid procedures.

The Minister greets Johnny Lombardi

We intend to introduce enabling legislation in June. Before doing so, I intend to consult widely. We are taking a long overdue lead on this matter, but we believe it is good business for everyone. We want to hear other viewpoints but we want more than that; we want active participation. We challenge all sectors of our society to share in the responsibility of making employment equity a reality, just as they will share in its benefits.

This, then, is the beginning we have made – some of the first steps to real solutions to the problems of unemployment, labour market change, employment equity, and economic growth. But I stress it is only the beginning. Other steps lie ahead.

First among these is the review of the unemployment system announced by my colleague, the Minister of Finance. This program has become part of our social fabric. It has been an indispensable safety-net during the recession period. It has helped to stabilize the economy and put us back on the road to economic expansion. In 1984, $10 billion in benefits were paid. These benefits provided essential income stability for not fewer than 3.2 million Canadians.

There are those who argue that the costs of unemployment insurance have risen through abuse of the system. I disagree, and so do the facts. The costs of unemployment insurance have increased precisely because unemployment has increased. Far from a criticism, this is a testament to the importance of the program.

... The fact is, Unemployment Insurance is primarily owned by employers and employees ...

No one questions – least of all this government or this Minister, who grew up in Cape Breton during the great depression – no one questions that the individual who has lost his or her job, because of the state of our economy, and has no immediate prospect of finding another, must be ensured an adequate income. But a review remains necessary if we are to preserve the program for what it was originally intended – not as a way of life, nor as a way of dependency, but as a stepping-stone, a bridge to new employment opportunities.

We must also ensure that unemployment insurance does not impede the development of new jobs. Because the best thing we can do for the unemployed is create new jobs. To do that we must ask some important questions.

We have to ask if Unemployment Insurance is imposing obstacles to economic growth. We have to ask if the program has grown too complex and too rigid. We have to ask if the enormous resources currently flowing through the program are being used in the most effective way possible. Could they be used in more creative ways, ways leading to new jobs and skill development?

We will have a review because so many people are asking just those questions. But government alone cannot answer them. The fact is, Unemployment Insurance is primarily owned by employers and employees. And they must participate in the review. But if the review is to be effective we must also listen closely to the victims of the recent recession. If major reforms are proposed, then the people most directly affected must be consulted.

And if proposals are implemented, their one purpose will be to create new job opportunities for Canada's unemployed. In the process, as the Prime Minister said at the Economic Conference, their sense of security, their confidence and their dignity, will be respected and reinforced, and not diminished in any way. That is the policy of this government.

Without underestimating in any way the problems confronting our society, I remain strongly optimistic about the future. I believe that we do share, wherever we stand, and whatever our responsibilities, the same hopes for our country in the future – a Canada which is both more prosperous and more equitable; a Canada in which enterprise and hard work are still rewarding.

For all the changes our country may encounter, one thing is permanent. We remain a people of enormous ability and compassion. Be it international competitiveness or the creation of opportunity at home, we can achieve our objectives. And, together, we will.

The appreciation of the audience was expressed by Robert L. Armstrong, a Past President of the Club.

Head Table

Robert L. Armstrong
Past President of the Club

The Hon. Ronald Atkey
P.C., Q.C.
Chairman, Security Intelligence Review Committee
Partner, Osler Hoskin & Harcourt

Isabel Bassett
Public Affairs Host, CFTO-TV
Author, The Bassett Report – Career Success and Canadian Women

Johnny Lombardi
President, CHIN Radio

John P. MacBeth, Q.C.
Vice Chairman, Ontario Police Commission
Director of the Club

Ian McHaffie
President, The St. Andrew's Society of Toronto

Ian McPhail
Barrister & Solicitor
Director of the Club

Ethel Myers
President, Progressive Conservative Women's Caucus of Metro Toronto

Ralph Nigro
Gd. 13 student, Harbord Collegiate

Rev. Taylor Pryce
Rector, St. Leonard's Anglican Church

Gail Regan
President, Cara Holdings Ltd.

Laura Sabia
Founding Member & First President, National Action Committee
Founding Chairman, Ont. Status of Women Council
Columnist, *Toronto Sun*

Sir Richard Bailey, C.B.E.

Chairman, Royal Doulton Tableware Limited

THE MARRIAGE OF ART AND TECHNOLOGY IN A CRAFT-BASED INDUSTRY

April 11, 1985

The President
Catherine R. Charlton, M.A. Chairman

C.R. Charlton

Honoured guests, ladies and gentlemen: Whatever the oldest profession may be – and I do not intend to get into an argument about that – the craft of pottery must, at the very least, run a close second. Ancient fragments of ceramic artifacts, pre-dating known history, have been found in many parts of the world, and some religions teach that God shaped a human figure from clay, then breathed life into it, creating a person.

In the historic year 1815 A.D., a twenty-two-year old London youth risked his entire savings of one hundred pounds sterling, in order to buy a third share of an obscure pot-house located among many others, in a Thames-side site in Lambeth. The young man's name is now a household word. It was John Doulton. The name of the firm became Jones, Watts and Doulton, indicating that young Doulton was the junior partner. However, his talents were such that by 1853, the firm name was changed to Doulton & Company. John Doulton's son, Henry, joined the firm when he was fifteen, and was later to be knighted by Queen Victoria. It was he who wrote:

> "There are three steps in the law of nature that it is well to remember: If there is stagnation, decay soon follows, and finally dissolution."

He, and his successors, saw to it that the Doulton company could never be accused of stagnating. I will not detail the long series of reorganizations, acquisitions and mergers that the firm negotiated in the next 150 years. Suffice to say that it culminated in 1972 in a merger that produced The Royal Doulton Group, with offices around the globe. The right to use the word "royal" had been authorized by King Edward VII in 1901.

Our honoured guest and speaker today is Chairman and Chief Executive Officer of Royal Doulton Tableware Limited, one of five divisions of The Royal Doulton Group, and one of the largest ceramic tableware producers in the world.

In 1942, at the age of nineteen, Richard John Bailey joined the Royal Navy, was commissioned one year later, and served on a British destroyer until 1946. In 1950, he joined what was then known as "Doulton & Company", as assistant to the general manager of Doulton Fine China. Thirty years later he was elected to the top position he now occupies. A year ago he was knighted by the Queen. His influence in the work of fine ceramics is tremendous, serving as he does on the boards of no less than nineteen well-known companies, including Minto Limited and Royal Crown Derby Porcelain Company (of which he is the Chairman of the Board). He is active not only in the numerous trade organizations in his field, but also in services to his local community, such as the presidency of the Royal Doulton Band. He keeps himself in shape by golfing, walking and gardening.

Ladies and gentlemen, may I introduce to you, Sir Richard John Bailey, Commander of the Order of the British Empire, Fellow of the Royal Society of Arts.

Ian Vincent, Director of the Gardiner Museum; Sir Richard Bailey; George Gardiner, Chairman, the George Gardiner Museum of Ceramic Art

Sir Richard Bailey

Madam President, honoured guests, ladies and gentlemen: As a humble potter and an Englishman to boot, I feel particularly honoured to be asked to address you today. When you first invited me to do so, you very kindly sent me a bound copy of the speeches given in 1981-1982 which, frankly, put the fear of God into me!

I then began to realize that perhaps, after all, I do have some qualifications to be here.

In the first instance, my company, and more particularly its products, are household names in Canada. We have done business in this country for well over a century now and, I think, can justifiably claim to know the consumer market here pretty well. We certainly have a lot of friends in the retail trade. Secondly, and very importantly, we do have our own company here which was first established in 1956 and I can tell you that we are extremely proud of our record as a good Canadian employer. I am delighted to be able to say that in this gathering, since you have been kind enough to invite the president of Royal Doulton Canada, Jim Churton, to join me at your head table, and I see that a number of my other Canadian colleagues and friends in the trade are here also. I myself have been a regular visitor to Canada from the time when this hotel was almost the tallest building in Toronto, and I can honestly say that I have always felt at home here and amongst friends.

In thinking about the subject of my talk, it seemed to me that I should obviously speak about the Fine China industry in which it has been my good fortune to serve for the past forty years. It is an industry which has a lot going for it – products you can be proud of, whatever part you have played in making or selling them; people with whom it is both natural and easy to relate, and a variety of joys as well as sorrows which keep you on your toes. In many ways, being a potter has much in common with the medical profession. Life is constantly full of surprises.

It is also an industry with a long and vigorous tradition of change which, for more than two hundred years, has managed successfully to adapt itself to wholesale transformations within the social, commercial and artistic worlds. Perhaps, as the oldest industry, we have been able to learn something about the nature of change which other less durable industries have failed to do – lessons which have served us well as we have successfully weathered the most severe recession since the 1930s and today face a generally hostile business climate which I believe will continue into the foreseeable future. It has always been an industry in which the people, the things they make, and the way they make them are, in some way, "special" and which, over the years, has successfully negotiated some of the more tangled and hazardous episodes of British economic history by combining artistry and technology in what I can best describe as a unique "marriage" to create things of great beauty and social relevance.

As I am sure you all know, the industry in England is centred in Stoke-on-Trent, North Staffordshire – a city affectionately known as "The Potteries" with a tradition of of pottery-making which can be traced back to Roman times. We have always depended heavily on the business we do overseas and can proudly claim that the industry is a net export earner second only to Scotch whiskey. We also enjoy an enviable record of good industrial relations, thanks to a far-sighted and responsible trade union and the traditional arrangement we have for negotiating terms and conditions of our employees by regular joint meetings between union officers and the heads of companies.

In a world of changing values and standards, I think we can rightly claim that our products and the names of the companies which make them are universally recognized and respected. They represent a long tradition of quality. They are exhibited in museums, connoisseurs collect them, families hand them down as heirlooms from one generation to another to cherish with real affection. As works of art they are also milestones of history, for pottery holds a special place in the evolution of mankind. More than anything else, it is the excavated remains of pottery that have enabled historians to trace accurately the development of earlier civilizations. Some of these early artefacts demonstrate quite superb artistry. It can, indeed, be a very humbling experience to see in some of the famous museum collections just how high a degree of excellence of artistic expression and advanced shaping and forming capability there existed thousands of years ago.

> *... pottery holds a special place in the evolution of mankind ...*

Even in modern times there is a strong symbolic link between pottery and man's achievements. When Cleopatra's Needle was brought to London from Egypt in 1878, items of Royal Doulton pottery, from our original Lambeth factory, were sealed in a time capsule inserted into its base. Again, only last year, we were asked to produce three commemorative bone china plates to be included in the payload of the inaugural mission of the American space shuttle "Discovery", named after the ship used by Captain Scott on his first voyage to the Antarctic.

Pottery-making is man's oldest profession and provides never-ending scope for artistic expression and scientific achievement. One of the fascinating characteristics of the early English master potters was their ability to embrace the art and technology of their time in creating products of both outstanding artistic merit and functional use. Men like Josiah Wedgwood, Josiah Spode, Herbert Minton and Miles Mason – practical men who experimented constantly to improve clays, glazes and decorative materials, were men also with artistic vision, concerned to create things of lasting beauty.

This complex mixture of practical potter, businessman and artist was the hallmark of their breed. It was certainly true of Sir Henry Doulton, the Victorian potter, who combined a genius for business with a passion for the arts and a far-sighted grasp of the socio-economic needs of his time. When the sprawling Victorian cities of the early 1800s desperately needed modern systems of sanitation, Henry Doulton was the first to perceive that clay was the most suitable material for that purpose. He proceeded to open the world's first pipe works in 1846 and, before long, thousands of miles of Doulton salt-glazed pipes were to disappear beneath the streets of major British cities to make him a wealthy man. With these rather unromantic, albeit highly functional, objects as a foundation, he went on to make Doulton the world's leading producer of art wares, yet he was also the first to harness steam power to the potters wheel. By the time of his death, the Doulton company was producing an astonishing range of ceramics – tableware, artware, chemical stoneware, drain pipes, sanitaryware, porcelain insulators and architectural terra cotta. Today, however, the name "Royal Doulton" is synonomous with fine china and there are probably few who know that the City of London was drained through Doulton salt-glazed pipes, that the London Underground was largely electrified with Doulton insulators, that the facades of Harrods' famous Knightsbridge store in London, the Calgary Herald building and the Pacific Railroad Hotel in Vancouver were all built of Doulton terra cotta. Indeed, the history of the Doulton company has, in many ways, mirrored the social and economic development of the United Kingdom – a unique contribution both to the arts and to technological evolution.

... there are probably few who know that the City of London was drained through Doulton salt-glazed pipes ...

Looking back to these early days of the industry, it has always seemed to me that, whereas the artistry of the potter found supreme expression in many forms, much of his skill was wasted in having to work with relatively crude and variable materials, imperfect and often inefficient tools, and in a poor and generally unhealthy environment.

The two most important individuals on a "Pottery Works", or "Pot Bank" to use the local term, were the slip maker and the oven fireman. The skill of the former, whose job it was to mix the clay and other raw materials, detemined the properties of the body with which the potters had to work. The system by which they were paid was known as "good from oven" which meant precisely what it says, namely that the potters were paid not for what they produced but for what emerged as first quality from the oven. It is obvious, therefore, why the oven fireman was so important, since on his skill depended whether or not the potters were paid. Time study practices were, of course, unknown. In the decorating departments the practice of "who shall?" was common – a simple and effective system of giving a batch of ware to the girl who was prepared to decorate it at the lowest price. The two endemic hazards of the industry were silicosis and lead poisoning. It is recorded that, before Doulton's pioneering work replaced calcined flint by calcined alumina as the material to support bone china clay plates during the firing process, the average mortality age of men in that occupation was thirty. Before the days of wholesale electrification, the machinery for fabricating the product was traditionally driven from a central steam engine connected to the individual potter's jolleys, as they were called, by an endless rope passing over innumerable pulley wheels. In addition to any mechanical skills he might have, it was essential that the works engineer was able to splice a rope and many master potters employed old sailors precisely for that purpose.

Of course, the industry's performance was inhibited not only by technological shortcomings at its factories but also by the problems of communicating with its customers overseas. When, in 1892, long before the days of aviation, my predecessor, J.C. Bailey, travelled to Australia to appoint our first agent there, the journey took him five months.

When I joined the industry almost forty years ago, it consisted of some 250 individual companies employing a total workforce of 80,000 men and women. Most of these businesses were privately owned, often employing several generations of the same families at the same works. The vast majority of the processes were manually operated and the products were still largely fired by coal in the traditional bottle-shaped ovens which gave the district its characteristic skyline.

The immediate post-War years saw rapid changes in firing techniques which led to the replacement of the older coal-fired ovens by continuous gas-fired tunnel kilns. The relatively high cost of converting from the old to the new system placed a severe financial burden on smaller manufacturers and thereby sowed the seeds of the eventual take-overs and mergers which, by the late 1960s, had entirely reshaped the industry. In place of the former family ownership with its strong personal ties bridging the generations, the industry is now largely controlled by corporate groups capable of providing both the capital investment to secure its future and the professional management to guide it through the infinitely more challenging business environment of today.

We ourselves have followed this basic pattern of development, and today embrace a number of previously independent firms – Royal Crown Derby, Minton, Royal Albert, Paragon, Beswick and Royal Doulton itself. Under these several brand names we are now the world's largest manufacturer of fine bone china. Today, materials, processes and working environment have changed out of all recognition. The ingredients we use for our bodies, glazes and decoration are accurately specified and meticulously controlled. Fabrication methods are precise and infinitely less labour-intensive. Firing techniques have been revolutionized. What took days to achieve in the coal-fired bottle ovens of the 1930s and hours in the gas-fired tunnel kilns of the 1940s, is today possible in a matter of minutes.

Compared with forty years ago, the working environment has been transformed. Through painstaking research, notably by the British Ceramic Research Association, coupled with good health and safety management, both silicosis and lead poisoning are, mercifully, things of the past. As a young manager, to determine the grain size distribution of one of our raw materials used to take me more than an hour of painstaking effort and calculation. Today, our control laboratories, using laser beam defraction, complete the job in seconds with a computer printout available through direct access v.d.u.'s to each of our several factories. Equally, developments in information technology have revolutionized production planning, inventory control procedures and office functions.

In contrast with J.C. Bailey's five-months' trip to Australia in 1892, our salesmen now carry portable equipment which enables them to access orders directly on our mainframe sales computer, while at the same time providing the customer on whom they have called with a confirmatory copy of his order. Yet, despite all these many advances in technology which have fundamentally changed the industry in my lifetime, it remains firmly craft-based, founded on traditional human skills. Indeed, the preservation of good human relations is, in many ways, our highest priority since it is the artistry and personal skill of our crafts men and women which are embodied in the products we sell.

... Variety of product, of design, taste and price have always been the spice of the potter's life ...

Variety of product, of design, taste and price have always been the spice of the potter's life. In my company we produce in excess of 30,000 unique items in 150 product groups, many of which compete with different international competitors, are of significance to different channels of distribution and sell to different consumers to meet different needs. Well over half our total production is exported – some individual products more than seventy per cent. You will see, therefore, why economic and social changes in our principal overseas markets are so important to us and why we go to such lengths to keep abreast of developments in lifestyle, design trends and trading infrastructure. Nowhere is this more important than for our market here in Canada to which we have consistently paid special attention.

Without doubt the most crucial decision we took in the early 1950s was to submit our prototype designs to critical appraisal by Canadian college girls and young married women. Regularly each year we have conducted surveys at your principal colleges and women's clubs to provide us with the necessary data on design trends and pattern preferences to ensure the potential success of new introductions before they are launched on the market. There are many factors which influence people's choice of fine china.

On the one hand, a more casual society is reflected in its attitude towards clothing, consumer goods and particularly tableware and its usage. At the same time, increasing affluence has stimulated the overall growth of the fine china market with its emphasis on premium brand names. Another important factor is the exploitation of the desire to possess prestige products of intrinsic merit which has led to the emergence of a highly sophisticated and organized collectors' market. We must be alive to all these factors through in-depth market research if we are to succeed in translating our artistic talent and technological expertise into the reality of an increasing market share.

We have certainly come a long way since I first joined the industry. What does the future hold for us? I believe it will be no less exciting, perhaps more so, since the opportunities for artistic expression and technological advance are even greater than those I have been priviliged to see. In manufacturing there is considerable further scope to reduce costs by concentrating skills and increasing productivity by adopting what I would call a flow-line production philosophy based on viewing manufacturing as a total system rather than as a disjointed collection of individual processes. To accelerate the pace of change, we ourselves have established our own technical research and development facility with a team of scientists and technicians under our Engineering Director who, significantly, is a micro-electronics expert. Changing lifestyles and growing affluence will provide new opportunities for artistic expression and product innovation to meet the needs of an increasingly sophisticated and demanding consumer market.

We must take every advantage of modern technology, but in no way be enslaved by it, recognizing above all else that the high quality of our products is achieved by hand-crafting. Our target is that subtle blend of human skills and artistry allied to the latest technology that offers us the opportunity to enhance our leadership in fine ceramics.

In every aspect of the business, standards today are immeasurably higher than they were forty years ago, but it would be foolish not to recognize that the standard of competition has increased even faster. We must be able to offer something special – well researched products to meet changing customer requirements and open up new opportunities to expand market share. Good design, good value, must be backed by reliable and accurate service and, most importantly, made in England in North Staffordshire products that will service the needs and changing lifestyles of future generations of Canadians – the products of a unique marriage of art and technology which has contributed so much to civilization over the centuries and has so much more to contribute in the years to come.

The appreciation of the audience was expressed by H. Allan Leal, Honorary Solicitor of the Club.

Head Table

G.W. Churton
President, Doulton
Canada Inc.

George Gardiner
Chairman, Scott's
Hospitality
Chairman, George
R. Gardiner Museum of
Ceramic Art

John Herrick
Chairman of Board, General
Mills Canada Inc.
Director of the Club

Reginald Holloway, C.M.G.
British Consul General
in Ontario

Peter Kaellgren
Curatorial Fellow, European
Dept., Royal Ontario
Museum

H. Allan Leal, O.C., Q.C., LL.M., LL.D., D.C.L.
Vice Chairman, Ont. Law
Reform Commission
Honorary Solicitor of the
Club

Nona Macdonald
Communications Consultant, University of Toronto
Director of the Club

Donald S. McGiverin
Governor and Chairman, The
Hudson's Bay Company

The Rev. Alice Medcof
Rector, Church of the
Epiphany, Scarborough

Donna Scott
Publisher, *Flare* magazine

Terry Wilgosh
Third year student, Central
Technical School; specialty
in ceramics

Albert T. Sommers
Chief Economist
The Conference Board, New York

THE UNITED STATES: ECONOMIC OUTLOOK

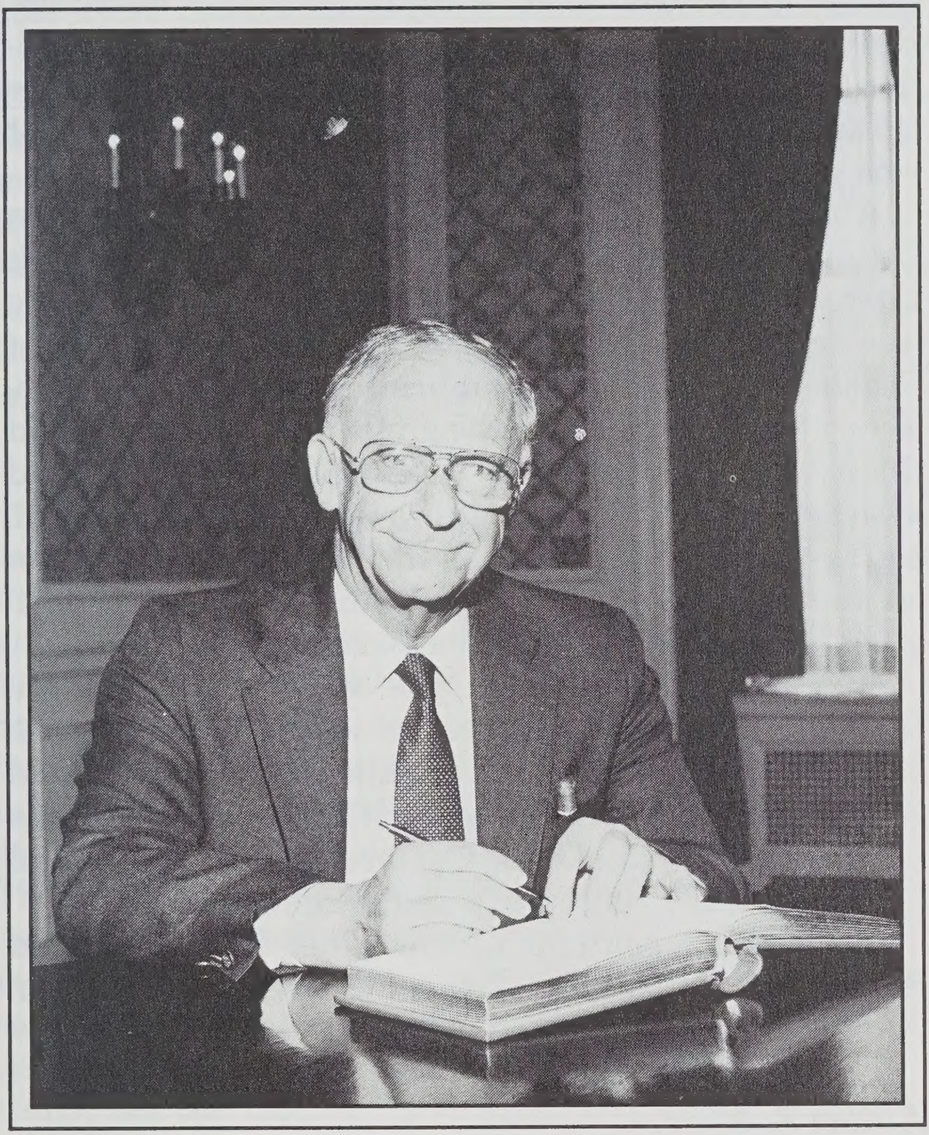
April 18, 1985

The President
Catherine R. Charlton, M.A. Chairman

C.R. Charlton

Honoured guests, ladies and gentlemen: On a June week-end in 1915, twenty-three people met by design at a secluded retreat in New York State. Each was a leader in his particular industry. Each had problems. Each was willing to share his problems and his experience with the others. Most important – each recognized the fact that most of the problems did not stem from any particular industry, but, in essence, were common to all.

From that conference, and from that concept, an organization grew over the next seventy years into the prestigious Conference Board. The name of this organization is the simplest thing about it. It is called simply "The Conference Board". It defines itself as "a management information service whose purpose is to help senior business executives and other leaders around the world reach sound decisions on management practice, public policy and economics". It could be described as a vast, world-wide think-tank – a pragmatic think-tank.



Albert T. Sommers

It is a catalyst, working through continuing networks of top businessmen, organized as the Board's various research councils, with a staff of more than 350 persons in New York, Ottawa, and Brussels.

The Conference Board's staff of research specialists produce a steady flow of information from six program groups in various fields, such as Corporate Relations, Human Resources, Economic Policy, and so on. In addition, there is a Consumer Research Center, and the Office of the Chief Economist and Senior Vice President who is to be our speaker today.

Mr. Albert T. Sommers, after earning a B.A. from Columbia University and a Master's from New York University, joined the Conference Board in 1950. He was appointed Senior Vice President and Chief Economist in 1972. His publications on economic subjects, always pertinent to the problems of the day, would fill a large bookcase. He has received honours and awards from both the business and the academic world, such as the Butler Prize from the New York Association of Business Economists, and the Wollman Distinguished Lecturer Award from Baruch College.

Mr. Sommers produces the well-known and authoritative "Sommers Letter" in which he uses his insight to analyse economic conditions in the United States and elsewhere. He himself epitomizes the three attributes which make the Conference Board so special – independence, objectivity and pragmatism.

Ladies and gentlemen, the Chief Economist and Senior Vice President of the Conference Board, Mr. Albert Sommers.

Albert Sommers

The degree of bewilderment that prevails in the United States is the highest in my long years of experience with this subject. I attribute it to a number of conditions, all of which I will touch upon, but one opening comment with respect to the confusion is called for. Economists, in the course of their professional life, have an opportunity to observe seven or eight or nine business cycle events. Economics being – in some small degree at any rate – a pragmatic, empirical science, one can draw generalizations and inferences from the observation of so many individual episodes. We *really* do know something about the business cycle. Under ordinary circumstances, if the business cycle is alive and well, we have something to say about the future, one would think. The trouble is, there is no business cycle in the United States now and all that accumulated knowledge is, for the time being, irrelevant.

I will describe in detail what I do think is going on in the United States, but it bears very little resemblance to the historical information that economists have spent their lives accumulating – or at least, the forecasting, practising wing of economics with which I am associated. There is not any cyclical strength in the United States; and for some obvious reasons that I will come to, neither are there any great visible weaknesses. This is by no means a normal exhaustion of a business cycle developing the typical signs of impending recession. Those signs are clear enough: inventory growth suddenly becomes unintended – involuntary – because demand is falling short of an oncoming rate of the supply: capital spending plans undergo sharp revision – not the spending itself of course, because that is a planned activity, but the intentions to spend. A brand new plant created in the last burst of plant equipment outlay in an expansion goes onstream and there is no demand for its output; the result is that everybody revises downward his intentions and curtails his ordering rate as quickly as he can. There is no monetary crisis visible in the United States. That is also typical of the last stages of a business cycle. Typically in such conditions, our Central Bank grows reluctant, credit growth is curtailed, interest rates are rising, a sense of threatened unavailability of credit begins to hang over the system. All of these things taken together – the reversal of attitudes toward need for output, a sense of the dominance of supply over demand, and the rising cost of borrowing – are familiar characteristics of a maturing business cycle.

These signs are simply not present now. This morning's report comes from our Department of Commerce, which is now in a position to be fairly knowledgeable about early 1985 (unlike a month ago, when those of you who follow the figures know that the Commerce Department, with a magnificent combination of courage and stupidity, produced a "flash" estimate before the quarter was even over). Deducing what can be deduced from that sudden blinding insight, we all felt that *inventory accumulation* was proceeding rather slowly in the United States and the remarks I have made up to now about inventory suggest no involuntary accumulation. The revised estimate of inventory growth in the United States is uncomfortably high and adds a little incremental note to the cautions about what is happening.

But taking the U.S. system as a whole, it is hard to argue that it is about to fall on its face – to use a technical expression for recession. The inventory demand is moderate, but is not in a position to collapse; inventory ratios are really quite conservative. The capital spending has been devoted so heavily to cost reduction and so lightly to expansion of basic capacity, that there is no real overhang of new capacity coming onstream that is not going to meet its demand. Our defence rate, which reacts very sluggishly to what goes on in the Congress (for our purposes today, although not for all purposes, we can practically dismiss the debate over defence spending insofar as 1985 and much of 1986 is concerned) is rising at ten per cent a year in dollars. State and local governments have a new-found prosperity; it has not been there very long and it probably will not last, but for the time being state and local governments are rebuilding the spending rates they tore apart in the early 1980s when things were very bad for them.

> *... The conclusion is that the U.S. economy is sluggishly making its way through time ...*

The whole structure of the system thus lacks any sense of teetering over a brink. The conclusion that all of these fast characterizations would suggest is that the U.S. economy is sluggishly making its way through time. It faces no acceleration. There are differences of opinion on this, particularly in financial markets. I understand many of you are from financial markets and doubtless watch the U.S. market very closely; you know that every day the *Wall Street Journal* still quotes financial economists who, having predicted recovery and rising interest rates, have for a month been staring with great discomfort at rates that are falling rather than rising. They are still claiming that we are at the very edge of a new acceleration, which will induce caution in the Federal Reserve, and that interest rates will be rising. Just speaking pragmatically, and without even mentioning what my own prior forecast might have been, it does not look that way now. It is very doubtful that this system has in it the strength to re-accelerate to a growth rate that anyone would call cyclical.

The issues we confront in the United States are really not business cycle issues. Neither recession nor new acceleration can be documented as a strong, probable outlook. My own impression is that this is a period of slow, sluggish, continuing growth but that the energy that underlies even that modicum of growth is being depleted, and it is not being regenerated.

In our present circumstances, it looks very much as if there is a constant supply of energy or voltage available to this system and that it is being drawn on so that the ensuing energies available are going to be less and less. My reasons for arguing this are unavoidably complicated. Let me spend some time on them.

... This is a kind of haunted prosperity that we are experiencing ...

Beyond the short-term data stream that we can observe about the U.S. economy, there are some enormous paradoxes. This is a kind of haunted prosperity that we are experiencing. I do not think that you will find much objection to that phrase – all of the discussions in the United States carry a very uncertain quality. The origins of the uncertainty, and of the paradoxes, is what I have come to call, out of my vast ignorance of physics, a “new molecule”: a policy molecule – I will lay out all my ignorance at once – that was born in the “big bang” of Reaganomics. Something like a new world developed in the United States out of the applications of Reaganomics. Without any real intention to do so, we created a collection of abnormalities in the system, each of which is wildly beyond our ordinary range of observation of these variables, but which, when taken altogether, have a mysterious consistency; they have learned to support each other and therefore continue, even though if we took each one individually we would say that it is doomed by its abnormal relationship with the rest of the system.

I am not a believer in a balanced budget at all. I think some degree of budget deficit is probably a neutral event in a system put together the way the United States is. But the $200 billion deficit is no neutral event; it is an immense fact of life in the United States. It contributes, I believe, to a level of real interest rates in the United States that is a great suppressant, you would think, to activity. The interest rates, in turn, help to support – although they are not the only causal factor by any means – a level of the dollar that is even now probably thirty-five per cent above what would be a tradeable goods par value with our trading partners. That dollar, of course, contributes to a trade deficit that really has to be stared at to be comprehended.

Now, all of these figures are off the scale of experience, but look at what they do. It can be argued that the trade deficit flow – the payoff to settle our international current account – returns to the United States, drawn in part by the high real interest rates that prevail in the United States, and helps to finance the budget deficit which is way up at the beginning of this chain of abnormalities. Moreover, the trade deficit – which is a terrible blow to major American industries – has its nice side too. It absolutely forestalls inflation. If you are asked to depend upon one element of the U.S. system that can reconcile a $200 billion budget deficit with three per cent rate of inflation, the obvious answer is the volume of import competition faced by the goods sector in the United States. The services rate of inflation is six to six and a half per cent; the goods rate of inflation is one per cent. So out of this peculiar evolved molecule, which is four crazy particles accommodating to each other, comes suppressed inflation and sufficient credit availability (for the time being, at any rate) to finance the biggest budget deficit we have ever had, while also providing the credit required for very vigorous private expansion. Its present consequences have to be said to be the kind of gentle, aggregate stimulus that is consistent with the description of the behaviour of the system that I gave you. That is where we are. The energy that is being provided to this system comes out of abnormalities, each one of which we deplore individually; but we find that in aggregate, they are in a way still serving our purposes.

Phrased that way, the question becomes – what is the future of this molecule? Can it be sustained? Again, I have to offer you a very cautionary conclusion. I do not think so. I think it is beginning to decay now, and that means not only that the energy available from it is falling, but that it raises great uncertainties about where the American economy is likely to go in 1985 and 1986.

Apart from the pleasant stimulus provided by a big budget deficit, of course the budget deficit means that the growth rate in U.S. federal debt outstanding is much faster than the growth rate of the economy – right now, about twice as fast. The economy is growing at six and a half per cent in dollars, and the federal debt is growing at about thirteen or fourteen per cent in dollars. The growth of the federal debt produces service costs on the federal debt that go all the way back into the beginning of this process and tend to enlarge the budget deficit itself. There are thus accumulative wheels within wheels, simply in the budget deficit alone.

And the same thing is true of the trade deficit – the current account of which it is a part, and the capital inflow that is said, rather loosely, to represent the return flow from the current account deficit, features a cumulative process at work. The borrowing from abroad, which is what we are doing in settling our international account, is swelling the ownership of U.S. assets abroad. The earnings on those assets of course go abroad – they are not owned by resident Americans – and the investment side of our current account is, accordingly, deteriorating very rapidly. That is the essential fact about our international condition. It is not, as we have announced to the world recently, that somewhere around Valentine's Day we became a debtor nation; that is not a terribly important fact. The important fact is that the investment side of our current account with the rest of the world has already fallen from about $35 billion (annual rate) to somewhere between $10 billion and $15 billion. The reduction in the earnings on the current account swells the current account deficit, which provides – in fact demands – the return flows of funds that enlarge the ownership of U.S. assets abroad and hence produces further deterioration in the current account. If the budget deficit were small and the capital inflow were small, these cumulative effects outside the policy

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> *... the investment side of our current account with the rest of the world has already fallen from about $35 billion to somewhere between $10 billion and $15 billion ...*

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molecule would not be very important. But they are not small; they are very, very big. In both cases, I get from them a sense of cumulative instability.

In national accounting the budget deficit is a stimulus to a business system. Almost all economists would agree with that statement. They would also agree that the current-account deficit is a suppressant of the system. In 1983 we had a gorgeous budget deficit stimulus, without much trade depressant. Now the budget deficit is offset about two-thirds by the size of the current-account deficit.

Next in this list of cautions about how long this can go on – the debt requirements to finance even this stable level of activity in the United States are simply phenomenal. In 1984 we had the largest percentage growth of aggregate debt outstanding – of course, this includes the public debt as well as the private debt – of any year in the postwar years. It is obviously still going on in 1985. The financing requirements of the Treasury are no smaller. Apparently the U.S. consumer sector now requires an enormous amount of debt incurrence to maintain the ongoing rate of spending. In February, we set a new record for consumer short-term credit extension; this is instalment credit, revolving credit, unsecured personal loans. The aggregate growth of debt in the United States – even setting apart the debt that is being formed in our mergers and acquisitions explosion – is, I believe, ground for caution.

> *... what is left of economic policy in the United States to confront recession, if it should actually occur? ...*

Finally, this is a tough time for profits in the United States. My own calculations suggest that it takes about seven and a half per cent growth rate of dollar income in the system as a whole to maintain a *stable* level of corporate profits. We did not make seven and a half percent in the GNP in the first quarter. The Commerce estimate is 6.7 per cent – a number that, other things being equal, would be suggestive of lower earnings in the first quarter than in the fourth quarter. What we know about earning thus far from company reports certainly supports that conclusion. In addition to all the other characteristics of this situation, we would have to add that it is very hard, under present circumstances and in the presence of that molecule, to generate a rising level of corporate earnings.

A final question: what is left of economic policy in the United States to confront recession, if it should actually occur? Normally, in the course of a vigorous business expansion, a budget deficit shrinks. As you know, in the presence of a progressive income tax, expansions produce a faster growth of federal revenue than of expenditure. In fact, some of the expenditure forms, such as unemployment insurance, actually go down, so that we move toward a balanced budget in the ordinary course of expansion. Keynesians call this "fiscal drag" because it makes the budget deficit, which is a stimulus, smaller and smaller as the expansion goes on. Well, of course, we did not do that this time; the budget deficit stands at $200 billion at a time when, if I am right, much of the energy of the system has already been consumed. Certainly, if we were to experience recession, it would be hard to imagine that fiscal policy would have discretionary opportunities open to it at all. Recession would very quickly raise our budget deficit to $300 billion; it would be a little difficult to legislate tax reductions starting from such a level. Some of the options normally open to fiscal policy have been relinquished in the course of this history.

With respect to monetary policy, some of the same things might be said. It is true that the Federal Reserve's range of options widens very substantially under recession. That is mainly because monetarists, under conditions of deep recession and rapidly rising unemployment, have to keep their thoughts about the growth rate of money to themselves. That gives the Federal Reserve the opportunity to engage in very rapid growth of money. As long as the fear of recession (or actual recession) prevails, the Federal Reserve's options at that end of the spectrum grow rapidly, as they did in the fall of 1982 when the Federal Reserve produced money at twenty per cent annual rate and produced a 700 point drop in interest rates – precisely the reverse of what monetarists would have expected.

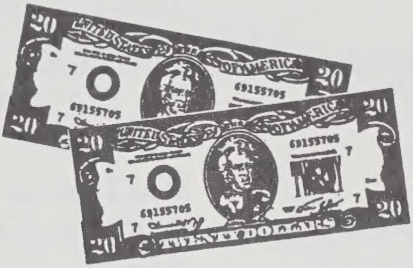
If we were to enter recession there is no question in my mind about the dedication of the Federal Reserve to do something about it, and its power to do something about it. However, we would have to remember that it is going to have to overcome a lot of things on the way to achieving much in the way of lower rates. First of all, under conditions of great uncertainty about the American economic outlook, the U.S. dollar would be falling. I consider the recent fall in the dollar in early April as primarily not an interest rate phenomenon, but a subtle alteration, in the eyes of foreigners, of the outlook for endless onward and upward earnings in the United States, including earnings from new fixed-income securities. Secondly, the recession would widen the budget deficit, which means that the Federal Reserve has to first of all take care of the demands of the Treasury, which would be growing even at a time when the falling dollar is discouraging flows into our capital market from the rest of the world. And thirdly, recession always widens credit risk and I think those of you in the financial community would agree with me, that perceived credit risk in the United States has been elevated in the course of the past six months by events in Ohio, and elsewhere, and by events in the government securities markets. The rapid rise in debt itself would suggest that the risk in further lending would be subject to re-appraisal.

My conclusion on the monetary side is that if things really look very testy and nervous, you can count on the U.S. Federal Reserve foregoing its more theoretical considerations, looking squarely at the facts, and making a very substantial – and partially successful – effort to get U.S. interest rates down. But I have to say *partially* because it would be facing a dollar problem, a federal finance problem and possibly – probably, I would say – a risk appraisal problem on the part of lenders.

I think you will agree that it is not an excessively comfortable view of the United States that I have offered you today. The outcomes in numbers that I carry around in my pocket would look like this for 1985 and 1986: I think the growth rate of the U.S. economy will be about three per cent this year and about two and a half per cent next year; I think the inflation rate – I see no great prospects of massive revival of inflation in the U.S. no matter what the dollar does – will be about three and a half per cent this year and close to four and a half per cent next year. The best market in the United States is going to continue to be capital outlay. In spite of the cautions I have given you, and in spite of the importation rate, we should get a ten per cent increase – these are all current dollars, not corrected for inflation – in capital spending by business this year and seven per cent next year. For profits after tax, doing the accounting on a tax basis the way it enters into our national accounts, I think profits will probably be down slightly this year – maybe three per cent or so – and then perhaps up five per cent next year.

Finally a note on the pattern. I think the U.S. system will grow slowly into the fall. I do not see any reasons to expect more imminent alteration than that. I do think the growth rate will fall sharply in the last quarter of this year, possibly continuing very low in the first quarter of next year. After the first quarter of 1986, I see no reason to expect anything but a modest resumption of what we are experiencing now – that is, sluggish growth – while we work our way out of that decaying policy molecule, toward a better balance of fiscal and monetary policy, toward a lower dollar and, ultimately, toward a better export-import relationship. With regard to interest rates, I do not think they are going to change much either until the fall and then I think they will go down a hundred basis points, pretty much across the board, although somewhat less than that in short rates and more – perhaps 150 points – in long rates. Compatible with the description I gave you there would be an erratic, unclear trend in the dollar for several months, and then a considerable decline late this year and into early 1986.

The description I have given you is really not all that bearish. What it says is that with significant but bearable cost, in terms of sluggish growth and a kind of profitless quasi-prosperity for a couple of years, we can work out of this unique animal that Reaganomics produced in the early 1980s. I do not assess the cost as being any greater than this, but I think it is unwise to assume that we can extricate ourselves from our problem molecule without having to pay some price in a prolonged and uneasy stability, in which earnings are going to be hard to come by.



The appreciation of the audience was expressed by Sydney Hermant, Senior Past President of the Club.

Head Table

William Blundell
Chairman & Chief Executive Officer
Canadian General Electric Co. Ltd.

The Rev. Canon B.C. Brightling
Rector, Church of the Ascension

Covell Brown
President, Veritas Consultants Inc.

Evelyn Davidson
President, Trans Canada Press, publishers of *Who's Who*

Anthony Fell
President & Chief Executive Officer, Dominion Securities Pitfield Ltd.

James G. Frank
Vice President & Chief Economist, The Conference Board of Canada

Sydney Hermant
Chairman, Imperial Optical Ltd.
Senior Past President of the Club

Dr. F. Marguerite Hill
Physician & Immediate Past Chief, Women's College Hospital
Director, Canadian Imperial Bank of Commerce

Ian Jack
Gd. 13 student, Malvern Collegiate

Hal Lucius
American Consul, Economic Affairs

Clifford Malone
President & Chief Executive Officer, Wabasso Inc.

Betty Smith
Director, Trust Companies Institute
Chairman, Ontario College of Art Governing Council

Gordon Steele, M. Com.
President, Bayridge Corporation Ltd.
Director of the Club

Terrence Tyers
President, Arol Consultants Ltd.
Director of the Club

The Empire Club of Canada and The Empire Club Foundation

THE EMPIRE BALL

April 19, 1985
Four Seasons Hotel

In the spring of 1982 the Empire Ball was inaugurated under the dynamic leadership of Mr. Henry Stalder, during the presidency of BGen. Stephen F. Andrunyk. The proceeds are donated to the Empire Club Foundation in support of the publication of the *Yearbook*. This year over three hundred people attended the ball which was ably co-chaired by Mr. Harry Seymour, First Vice President and Ms. Nona Macdonald, a Director of the Club.

Program

Chairman	Catherine R. Charlton President of the Club
Grace	The Most Rev. Lewis S. Garnsworthy Archbishop of the Anglican Diocese of Toronto
Loyal Toast	
Royal Anthem	
Dinner	

Toast to the Empire Club of Canada	Sydney Hermant Senior Past President of the Club
Response to Toast	Major Arthur J. Langley Past President of the Club Director, The Empire Club Foundation
Dancing	Frank Bogart and his Orchestra

At the Empire Club Spring Ball, Four Seasons Hotel: Ruth Langley; Major Arthur Langley, Past President; John Herrick, Director; Catherine Charlton, President; Madge Hermant; Sydney Hermant, Senior Past President of the Club; Lillian Seymour and Harry Seymour, Co-Chairman of the Organizing Committee

Empire Ball Committee

Co-Chairmen

Harry Seymour
Nona Macdonald Heaslip

Members

Sarah Band
Deborah Bennett
Richard Bennetts
Wendy Cecil-Stuart
Diana Chant
Paul Clark
Jerry Collins
Cecelia Davies
Douglas Derry
Donna Digby
Blake Goldring
Lorraine Gotlib
Robert Gulliford
Arthur Langley
John MacBeth
Dennis Madden
Robert McGavin
Jean-Pierre Scheidegger
Margaret Scrivener
Lindsay Shaddy

Friends of the Club attending the Ball:
Donna Cappon, LL.B., *Andrew Csanady,* C.A., *Janne Csanady and Dr. Daniel Cappon,* M.B., F.R.C.P.

Peter Ueberroth, with Peter Hardy, Chairman, John Labatt Ltd. and Vice Chairman, the Toronto Blue Jays

Damaso Garcia, second baseman for the Toronto Blue Jays and Paul Godfrey, Publisher of the Toronto Sun

Photos by Alexandra Adams

Peter V. Ueberroth

Commissioner of Baseball;
President, Organizing Committee,
1984 Olympics, Los Angeles

LEADERSHIP AND SUCCESS IN SPORTS

April 24, 1985
Sheraton Centre, Grand Ballroom

The President
Catherine R. Charlton, M.A. Chairman

C.R. Charlton

Honoured guests, ladies and gentlemen, sports enthusiasts: It is a great pleasure for the Empire Club to host this special dinner to introduce to Toronto, Mr. Peter Ueberroth. Since his appointment as the organizer of the 1984 Summer Olympics, his successes have been recorded in a progression of achievement: the first Olympic Games to be run as a privately managed event with no taxpayer money, no government funds and no donations; the historic income-producing sales of television rights for $225 million; the carrying of the Olympic torch across the entire country to light the Olympic flame in California; and now the first-ever profitable Olympics with a surplus of over $200 million which will be divided among amateur sports organizations.

Our guest represents what good business management can do for sports, and there are some who believe that Peter Ueberroth's appointment last year as the

Gaetan Boucher, Gold medallist in speed skating, Winter Olympics with Jim Worrall, Canadian Representative, International Olympic Committee

Commissioner of Baseball is none-too-soon. Of twenty-six baseball franchises, not all are profitable.

Mr. Ueberroth's proven business experience was one of the reasons for his appointment. After graduating from San Jose State University, he worked as Operations Manager for a non-scheduled airline flying out of Hawaii, and then went on to build his own company called First Travel. In 1978, when the Olympic Search Committee was seeking an organizer, his travel business had 200 offices worldwide and gross revenues in excess of $300 million, making it the largest U.S. travel company after American Express. His drive and initiative were the qualities the organizing committee wanted.

A successful entrepreneur, Mr. Ueberroth has become the sixth Commissioner of Baseball. As such, he is charged with the well-being of the continent's most popular professional summer sport. Mr. Ueberroth's predecessor, Bowie Kuhn, calls him "bright, constructive, courageous and tough". Others describe him as "calm, soft-spoken and self-effacing ... a hard-driving person who doesn't tolerate indecision." He claims no particular prowess in sport, but did try out for the U.S. Olympic water polo squad in 1956. He was not successful but he did succeed in leading his own college league in scoring. At high school and in college he played football, baseball and basketball in addition to his swimming. It is his determination to meet a challenge and to succeed that brought him to the Olympics and that led to his current appointment as Commissioner of Baseball.

Ladies and gentlemen, the man that *Time* magazine

Jim Worrall, Canadian Representative, International Olympic Committee; Lori Fung, Gold medallist for modern rhythmic gymnastics 1984; and Val Stock, Chairman, Olympic Trust of Canada pronounced "Man of the Year", our guest tonight, the only baseball professional currently batting a 1,000, Mr. Peter Ueberroth.

Peter Ueberroth

Batting 1,000 – I think I have struck out about fourteen times so far, as I have visited the owners of baseball teams and made great friends around the country. At least the umpires are for me though, I will tell you that.

Madam President, Mr. Metro Chairman, honoured guests, Olympians, Toronto Blue Jays: It is a pleasure for me to be here this evening at the Empire Club of Canada. It is an honour to speak to leadership in a great community. That is what you are – the opinion-makers and leaders and future leaders of this city and this country; so it is my pleasure to be here.

Let me tell you that I enjoyed very much the introduction, but I must set the record straight about this individual standing before you. He certainly is nothing very special. To prove that, there was a phenomenon that took place in Southern California when he was elected as president of the Organizing Committee for the Olympics – an unknown. We have two major universities in Southern California which compete fiercely against one another – the University of Southern California and the University of California at Los Angeles – and the alumni clubs of both of those universities went quickly to each of their records, for surely this unknown had come from one of those two universities. They found no Ueberroth. Then they went up to Stanford – still no Ueberroth. Back to Harvard and other universities across the country – no Ueberroth. It took some six months to find San Jose State. And then as if to prove without a doubt no lack of intelligence, they went up to investigate my performance at San Jose State. It did not go well. They looked at the entrance examination itself – a little form that you had to fill out in the mid-fifties in order to enter that university – and evidently under the heading "church preference" I had carefully printed "red brick". But I did graduate. I graduated in the top eighty-three per cent of my class. Now that you know me, I would hope that you will invite me back anyway in mid-October to watch the Blue Jays play.

... you are the best represented country in the Olympic movement, in the whole world ...

I have three simple points to share with you this evening and I hope you will judge them as being sincere, because they are indeed. My first point is that you should be very proud. All of you in this room should be very proud, and I am in a position to know. Why should you be proud? In the Olympic world that I dealt with for five years, there are eighty some members, representing the 150 nations of the world. A few countries, only a few – about a dozen – have two members out of the eighty. You have two – James Worrall and Dick Pound and you are the best represented country in the Olympic movement, in the whole world. When we had to seek some support for our ideas in 1979, 1980 and 1981, when they were not very popular, we had strength more than anywhere else – more than in our own country – from those two gentlemen one of whom is here at the head table. Also, I have watched your team compete around the world and I do not know why you don't talk about it because it is very special. You rank, in my opinion, in the way you organize amateur sports, with two or three other countries in the world. You rank with the East German team, which is easily the best or one of the best organized teams in the world. I remember the Pan Am Games in Caracas and the fact that they had some real troubles financially down there and were very courageous to host the games. They put on good games, but the dormitories and housing were not ready for any of the athletes. The athletes from all the Pan American countries arrived, many of them complaining, many of them not pleased that the facilities were not ready. Some of the plumbing was not even attached. Three days later, I visited the village after the athletes had arrived and there was one facility that was spectacular. It was yours. Rather than complain and worry, your athletes said, “let’s make this place beautiful”. Somehow your people cleaned from top to bottom, put up drapes where there were no windows; commandeered some plumbing contractors; you put a whole village to work. Most of the others throughout that village were still just complaining. It is a very special thing around the world to watch your athletes compete and then watch all your athletes and officials get together in the familiar red. And the spirit of your team is something that athletes of the world know and you should be proud of that. You should be proud of Roger Jackson and what he is doing for your athletes. You should be proud of Frank King, here at this dais, and the Calgary Games. They are going to be great games and will set a new tradition for winter games.

Never in the history of baseball has a franchise come from nothing in eight years, to being one of the most competitive teams in all of professional sport. You have two great ballplayers here at the dinner and many others. I went out today to watch them play and it looks like an easy game for them. It was ten to nothing in the third inning, and I was wondering if baseball had become that simple. *Sports Illustrated* ranked Peter Hardy, Vice Chairman of the Blue Jays, as the finest baseball executive in all of baseball. I will let their judgement stand. And there are fans, out of nowhere again, over two million in number. There are many cities twice this size with ten times the tradition and ten times the history, that look upon Toronto with great envy.

> *... Never in the history of baseball has a franchise come from nothing in eight years, to being one of the most competitive teams in all of professional sport ...*

You should also be proud because you are such a vital city. Again, I am in a position to judge; in a position to judge baseball teams; in a position to judge Olympic involvement; and in a position to judge a city because my job takes me to the major cities in North America. There is a vitality here, an ability to mix tradition with the future that is very impressive to me. The Blue Jays are a major part of your community, and major league baseball brings some hundred million dollars a year in turn-over and vitality into a metropolis; more importantly, it brings a lot of great athletes, for your youngsters to get to know and your city to follow.

I would like to share with you a few ideas; maybe for Calgary, maybe for charity, maybe for important municipal projects, maybe for government. The games of 1984, the XXIII Olympiad in Southern California, were not in Los Angeles but were actually held in twenty-nine cities in nine counties and three states in the United States. We spread the games and we had to develop working agreements with all forms of government to do that. Let me share a little bit of what happened in 1984, let me take you back to just a year ago. I should tell you it is an emotional subject for me to talk about, so I apologize in advance. About a year ago today, we began to realize that we did not have just a big project, a big sporting project, where we would have thirty stadiums and sell millions of tickets with two and a half billion people from all over the world watching us – the largest television audience in the history of man. Over half the living, breathing people on earth would focus on these games at the same time.

We were a small committee – just a few hundred people – and we realized that we had the reputation of a nation at stake. We were staging the first private games ever – totally private. And why was that? It was because the voters of Southern California voted to throw the games out if they were going to use government money. There were seventy-three per cent of the voters on the ballot, so it was a public challenge. Of course, we took no government money, which is popularly known. We paid for every policeman that stood on a street corner and we paid all forms of government for their services. But, what is not commonly known, is that we did not take a penny of donation from any corporation or any individual. Why is that? We felt it was improper, inappropriate and unfair to take money for a sporting event that competes with donated money for a church or a synagogue or a hospital, or a cultural event or youth group. We wanted to put on the games without donations, and we did.

What were the headlines saying a year ago? I hope you remember them; I remember them well. They were saying that the smog was going to be so bad in Southern California that it would affect people's lives and damage athletes permanently. They were saying that terrorism would be the will of the day in Southern California, the laid-back society that could not stand up to an immense project. They were saying that it would be a financial debacle; that we would have deficits larger than Montreal, larger than other Olympic cities that had had deficits in the past. They said we would have traffic that would come to a standstill. In fact, I was in a hotel room about three weeks ago and I watched a re-run of a Johnny Carson show. I did not realize it was a re-run until I heard his monologue and he was saying, "You know, there's bad news and good news. The bad news is that General Motors is going to have to recall a million automobiles. The good news is they've got a way to do it: they're going to have all those people drive their cars to the Olympic Games, they'll all be stuck at a standstill and they'll repair them all at once." That was the opinion of the people, of the media and rightly so – they had only history to look at. And what happened?

First of all we had three concepts which I hope will give you a glimmer of an idea to use on some kind of projects for the betterment of your own province or your own country, or city, or whatever. One concept was that private enterprise works. In our country our President talks about having private enterprise and corporations pick up the slack. Well, I disagree, because he is suggesting they pick up the slack with a donated dollar. Corporations, as you know, in this country and in my country get profits of two per cent, one per cent and less; that is not what energizes them, that is not what gets them excited. If you want to get corporations involved, as we did, do it on a profit basis, do it on an incentive basis, do it on a basis where they can make money. If you encourage a McDonald's fast food chain to build a stadium or finance a stadium, figure out a way that they can make a profit by their involvement with the stadium as they did with us. If you do that you get the energies of a business excited and going forward and that is the way to solve a problem – that is the way to build hospitals. The government has to provide the incentives or the private sector must get together and provide their own incentives. A quick example of a current one; I am doing a little work on the Statue of Liberty refurbishment. We could go around, and we are going around to corporations asking for donations. How much better was the American Express project where they had a system that American Express could be a sponsor and with the increase of sales – every time someone used their American Express card – there would be money appropriated to the Statue of Liberty fund. American Express raised their sales in comparison with their competitor by twenty-three per cent – that is real stuff. That gets their attention. And that is the way to get money – dealing as partners with the private sector.

That is really the way to solve hunger in this world. You hear all about the hunger and you see the films of Ethiopia. Then you find out that it costs, to move that block of food, bag of grain, the last five hundred yards from the harbour to the dock – more money than it costs to grow it, package it, and transport it all the way across the ocean to Ethiopia. Systems do not work. Things do not get delivered. If you want to solve hunger in this world, get the private sector in your country and in my country to get together, and put in the proper incentives. I spoke to a group of leaders in food and I said, "If I could put you all together from our two countries here in North America, and lock the door, we could solve hunger. The way we would do it is as follows: I would say you can't get out of the room until you come up with six areas where the governments of the two countries are holding you back from doing what you want to do. It is your business to make a profit." I would leave them locked up and I would go to the leadership in your country and mine and I would say, "Here is a list of six. Pick three that do not impact government or the environment negatively. You have your choice – pick three." I would take those three choices back and offer them to the food companies, the manufacturers, packagers and transporters of food. And with that kind of a set-up, just three of the list, they would solve the food problem in Africa in a very short period of time. So that was one concept; private sector – energize them, energize them for what they believe in. And that is making a profit so that they can make their business grow, employ more people, pay more taxes.

The second thing we proved in the games is the concept of volunteerism – Darcea Hiltz was introduced earlier. I had to be shown that volunteerism would work. I did not believe that 72,000 people would stand out in the hot sun for a month and work for free and work for sixteen hour days. For a short duration, for a project with a goal, a volunteer is the best employee you can get – better than you can hire, and it works. Thirty days and 72,000 people – I lived in fear that they would be walking off the jobs after the first few days, after the opening ceremonies or when it became real difficult, or when there was a mishap or a problem. It did not happen. There is another concept of volunteerism that is called "super volunteerism". When you have that many people, you need leaders and you can get leaders out of any walk of life. We got leaders out of the churches, from education, from business, from government, from all walks of life, who came and helped us run the games. Indeed, they came from Canada – many people from Canada. You had something called the World University Games in Edmonton. We went up there and "cherry picked" if you will, what we thought were the top ten or fifteen leaders and they came down to help us run the games a year later. We went to Montreal and other parts of the world and found leaders who could help us.

Another concept is Torch Relay. I hope it is adopted by the Olympic movement. A year ago today it was the most criticized thing in your papers and papers whose editorials are the major respected articles in our country. What was our idea? Normally, they run the torch from the largest nearby city to the Olympic City – in our case we would have flown the flame from Greece to San Francisco, run down the coast and opened the games. It was our idea to run zigzagging all across our country, letting thousands of people have a chance to run. How do you pick runners, when there are about 100,000 or so people who want to run? Our concept was that anybody could run or you could have somebody run for you, and everyone who ran could keep a torch. We would make very special torches and just pass the flame from runner to runner, but you had to give $3,000 to your own town to a charity for youth. That is all you had to do. You would not give us a penny, but give it to the Special Olympics for handicapped children; give it to the YMCA; give it to the boys' clubs, girls' clubs, scouting. If you could give $3,000 in your own community, then you could run the torch! In an Eastern European country, if they would do it, it could be just a blanket. The concept of giving in your own community might get the community excited about doing something for itself.

> *... The concept of giving in your own community might get the community excited about doing something for itself ...*

Those were our three concepts: private sector, volunteers, and the torch relay.

Let me conclude with the games. What happened? The games started for me on May 8. They might have started for you on July 28 – but for me, on May 8 in New York City. I was awakened in the morning to learn about the Soviet boycott. And much like the misguided Carter boycott in 1980, they were projecting to me that, out of the 150 some-odd countries, there would be only seventy countries show up for the Olympic Games. They told me that the African countries would not come – not a one; all the Communist countries would not come, and many other countries would sympathize with them around the world. That was the beginning on May 8. Then I went down to start the torch relay on the very same day: whether they selected that day because we were starting our torch after they had criticized it so much, I don't know. I had bought the first kilometre. You did not have to run if you did not want to – you could have somebody else run for you – and I had asked a young lady to run for me the first leg of the relay: her name is Gina Hemphill. Evidentally, Gina's not a household word here, but I will tell you that you might know her grandfather. Her grandfather went to the Olympic Games in Berlin in 1936 when there was a fellow named Hitler who talked about white supremacy and her grandfather proved that to be a lie – the late, great Jesse Owens!

Also on May 8 we made a phone call. We had set up almost like a mini state department – again, volunteers and leaders who had an affinity with all the countries of the world. We had a leadership group assigned to each country; usually one or two people and we would have three or four staff people with them. We dispatched them all over the world to try and convince people not to boycott. The International Olympic Committee co-operated with us, and your Olympic leaders co-operated with us; everybody co-operated with us to prevent only seventy countries showing up to mar the games. The torch relay continued throughout the country and I was not sure it was going to be a success, until some twelve days out when I received a phone call that a huge electrical storm had broken out and they had to take the torch relay off the roadside in Kentucky. (We ran the torch from 7.00 a.m. until 9.00 p.m. and if we fell behind we had to catch up.) So, we were off the road about five hours while the storm passed, and they had to run into the wee hours of the morning. When they finished with the runner who had donated $3,000 from the little town of Pineville, Kentucky – which has 2,800 people – as that torch was run into that community at 1:45 in the morning, with television crews from NBC, ABC and CBC filming it all the way, it showed 1,000 people lining the roads – little children in bathrobes, all holding candles, welcoming the torch into Pineville.

Then, last if not least, to prove without any shade of a doubt that this thing worked to get our country – a country that doesn't show its pride enough – to re-scratch the basic patriotism which is important in any nation, I will tell you one other torch story – and there are thousands. I would get the films every day from the three networks. About 9.00 p.m. they would bring them in and I would see the film of the day before. One morning early they came in and said, "We want you to see a film on the torch". I said I had seen it the night before, but they said this was a private one, but insisted that I see it. They had made a little cassette and put it on the television set in my office. We turned it on and it showed a nine year-old girl bent over, severely handicapped, holding on to a torch with both hands, waiting for the next runner from behind to come up. The camera panned down the road and there was a runner with a full stride, carrying the Olympic flame in his torch. He came and he lit her torch and it took him awhile because she was obviously very handicapped. Up came a motorcycle policeman – a heavy guy with one of those big aerospace plastic things in front of his face – and he was unhappy and gunning the engines at this delay. And I was wondering, why am I seeing this film? Then this little youngster started, and took a step and slowly but surely she started to make motion to start her kilometre. I noticed it was a little uphill – I was later told that she could not walk on flat land, she had to walk against the gravity – and she picked up speed. I was going through an emotion that was very difficult, and then I saw the reason they had the film for me – because her head came up. Her smile was as big as this whole room! From one ear to another! And she kept running, and she kept running – step by step by step –

and then I noticed people were about eight deep on both sides in this little town in New Mexico. They were waving flags, cheering, all carrying flags saying, "Run, Amy run". She kept running and I watched her go by NBC and CBC and the ABC camera crews with their cameras at their sides. Somehow her smile got bigger and bigger and she was wringing wet and she kept going until she finished the kilometre. She made it! She lit the next torch and the runner was off on the dash. The cheers were virtually deafening for this little youngster who was so proud – such a great moment for her. Just before the film went off, the cameraman turned to a motorcycle policeman who was on the side of the road with his plastic thing up and a handkerchief out wiping his eyes. And we knew we had one beginning success for our games.

Our second success was the opening ceremonies, when 140 nations – not seventy – came into the opening ceremony. But it was YOU – people from North America – that made the great moment, and it has not been written about. I will describe a couple of incidents. The first was when a country came in, the announcer said just three words – "People's Republic of China" – and 90,000 people from all parts of the world, mostly from North America, stood up and gave a standing ovation, a huge cheer for this country that had never gone to the Olympic Games in its history, and had defied the Soviet boycott. They had never participated in all the history of the Olympic Games. And here they were coming on that field to play. The crowd had delivered a message; you see, that film has been shown in China a hundred times and because they cannot reach all the people in their country with television yet, they show it in big halls throughout the country, over and over again. They show the friendship of the people of North America, the friendship of the people of the West. All the propagandists of the future cannot erase that in the minds of the people, and there are children not yet born who will be shown that film. Then Yugoslavia came in as well as forty nations from Africa – over double any prior Olympic Games – and it made people proud.

There is another incident that touched me greatly: I had asked a young lady, well known to all of you in the Montreal games, to come over as my guest. I was in the box with the President and other dignitaries and I excused myself and went and asked this young lady to go out into the middle of the crowd. Her name is Nadia Comaneci. I said, "Nadia, you ought to listen to what happens when your country comes in." When Nadia was about half way onto the field, the announcer said, "Romania" and 90,000 people understood. They understood world politics; understood how this nation, under the thumb of the Soviets, had made a big statement – not only for sports, but for a lot of other things with perhaps deeper meanings – by coming to the Olympic Games. This young lady who performed so well in Montreal had tears streaming down her face. And that is an act of friendship that is being talked about and shown freely, and not so freely, in countries around the world. So the opening ceremonies worked, as did the competition itself.

> *... The legacies of the games, I hope, and know, will work for you in Calgary ...*

The legacies of the games, I hope, and know, will work for you in Calgary. Every system is a little different, but the concepts are the same. The private sector works. It was a proud day for us in law enforcement. Law enforcement stood very tall. Law officers put aside their jurisdictional differences and all the pettiness and worked very hard to accomplish, in a friendly way, so no one was bothered by them, but helped by them. These officers were professional, and yet friendly.

Yes, there was a large surplus – a surplus of $250 million. The only reason I bring this up is that in our country it is important that we remember that surplus is simply the opposite word of deficit. We rekindled a pride in patriotism which had been scoffed about, sometimes in our own country. And that means a great deal to me. But most importantly, we showed the true face of the free world and North America especially – to the world. We talk so much about military and money, but we showed the true face. Twenty thousand athletes have gone back to their countries as ambassadors of goodwill, and hopefully will be the leaders of tomorrow. It is a small step toward the most important words that can be on your mind and mine – World Peace.

I began this talk by saying that you should be very, very proud. I would like to conclude by saying that I am proud to be your neighbour.

COMMISSIONER★

The appreciation of the audience was expressed by Dennis Flynn, Honorary Secretary of the Club.

Head Table

Gaetan Boucher
Olympic Gold Medallist in Speed Skating, 1984 Winter Olympics, Sarajevo; Silver Medallist, 1980 Lake Placid

Diana Chant, C.A.
Chartered Accountant, Price Waterhouse
Treasurer of the Club

Dennis Flynn
Chairman, Metro Toronto
Hon. Secretary of the Club

Robert C.Franklin
Exec. Vice President, CN Rlwy.
President, CN Enterprises

Lori Fung
Olympic Gold Medallist in Modern Rhythmic Gymnastics, 1984 Summer Olympics, Los Angeles

Damaso Garcia
2nd Baseman, Toronto Blue Jays; selected for 1984 Major League All Star Game

Pat Gillick
Executive Vice President, Baseball; Toronto Blue Jays

Paul Godfrey
Publisher, *Toronto Sun*

Norman E. Hardy
Vice Chairman, Toronto Blue Jays
Chairman, John Labatt Ltd.

Darcea Hiltz
Originator volunteer services program for 1984 Los Angeles Olympics
Administrator for Paul Hellyer Enterprises

Gordon Hume
Chairman, Pan Am Games Bid Committee, 1991 Pan Am Games, London, Ont.
Vice President, CKSL Radio, London

Victor Kiam
Chairman and Chief Executive Officer,
Remington Products Inc.

Frank King
Chairman, XV Olympic Winter Games Organizing Committee for Calgary, 1988

The Rev. Harold Roberts
Rector, St. Timothy's Church
Director of the Club

Harry Seymour
President, Dominion Securities Pitfield Investment Management Ltd.
First Vice President of the Club

Valentine Stock
Chairman, Olympic Trust of Canada
President & Chief Executive Officer, Canada Packers Inc.

Virginia Ueberroth
Senior Partner to guest of honour

Jim Worrall
Senior member, International Olympic Committee in Canada
Past President, Canadian Olympic Assoc. and a competitor in 1936 Games

Victor K. Kiam II

Chairman and Chief Executive Officer
Remington Products Inc.

ENTREPRENEURS IN A COMPETITIVE WORLD

April 25, 1985

The President
Catherine R. Charlton, M.A. Chairman

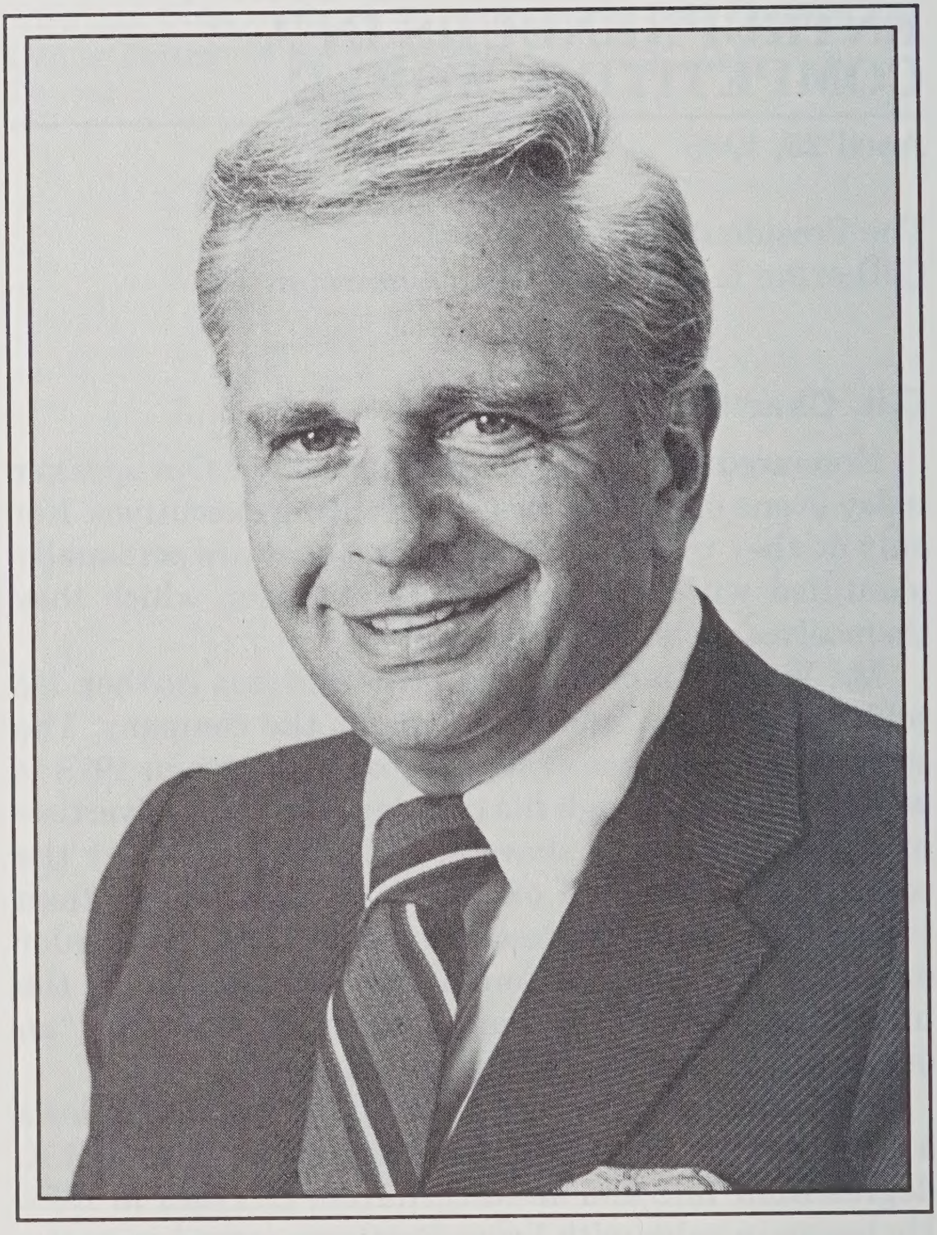
C.R. Charlton

Honoured guests, ladies and gentlemen: Our speaker today is one of the new breed of exciting executives. Not only do they run their company but they are personally identified with their company's products, which they themselves advertise to the public.

Mr. Victor Kiam has taken this one step further. He sold himself first and then bought the company. The story of his purchase of Remington Products in 1979 is widely known through his popular television advertisement for Remington shavers. Not only did he buy the company, but he paid off the bank debt in less than twelve months, and increased sales and profits. A senior executive of the Chase Commercial Corporation, in the understatement of the year, classes Mr. Kiam as "an outstanding retailer and merchandiser".

Mr. Kiam's success with Remington Products follows a career of business successes, beginning with a B.A. degree from Yale and an M.B.A. from Harvard in 1951. He began in sales with Lever Brothers, moved on to the

International Latex Corporation, where he became Executive Vice President, and then in 1968 he became President of the Benrus Corporation, a diversified manufacturer of industrial components and consumer prod-



Victor K. Kiam II

ucts. This brings us up to 1979 when he began his adventure as Chairman, President and Chief Executive Officer of Remington Products Incorporated, manufacturers of electric razors and other products such as pool alarms, leather goods and accessories, cigarette lighters and men's ties.

Mr. Kiam has also been active in many business and philanthropic organizations including the Young Presidents, the World Business Council, the Child Welfare League, the United Way, and others. In 1984, he was executive-in-residence at Washington State University. He speaks widely both here and in Europe and is bilingual in French and English. I am given to understand that he speaks Japanese for his television commercials in Japan.

Ladies and gentlemen, one of America's best recognized executives – Mr. Victor Kiam.

Victor Kiam

President Charlton, President-elect Seymour, distinguished members of the dais and members and guests of the Empire Club: I am honoured to be here today because the Empire Club is much more than a club in my book. I deal with many people, and this club has not only a long tradition and history but it is peopled by entrepreneurs.

I have contact with numerous people who have asked me to speak and appear but this group was so persistent, so entrepreneurial, that they just overwhelmed me. President Charlton said that I speak often. That is not true. Actually, you will notice that in a couple of seconds I am going to close my eyes because I have learned that is the way to do it. The other night I closed my eyes when I began to speak and I spoke for thirty minutes. When I opened my eyes, I looked out and the audience had left except for one person. I looked at him and said, "What are you still doing here?" He said, "I'm the next speaker."

Webster describes an entrepreneur as a person who organizes, operates and assumes the risk for business, especially an impresario. It comes from the French word *entreprendre* which means "to undertake". I do not want to dispute Mr. Webster who has a great following throughout the world. However, I think his description is only fifty per cent of what an entrepreneur really is. Yes, an entrepreneur organizes, operates and assumes the risk – that is true. But the entrepreneur has another fifty per cent and I feel that this is really what separates the entrepreneur from other individuals. That other fifty per cent is a dedication and a commitment – a dedication and commitment to success. And it is not monetary success alone. Money is a way of keeping score because, if you are not successful, you will soon go out of business; and if you are successful, you want to be judged as to how successful you are. But an entrepreneur is an individual whose adrenalin flows by accomplishment and that is what generates the drive and the commitment and the dedication. President Reagan, about three weeks ago, addressed a university. The headlines of the *New York Times* said that President Reagan stated that this was the "age of the entrepreneur" and that there is an economic shift in America. It is the individual that is important.

I do not believe that today is any different from twenty years ago, fifty years ago or two hundred years ago as far as the entrepreneurial spirit living in North America. You can go back to the frontier days and the wagon trains that rolled west. Those people were entrepreneurs. If you think about the people who populated North America from Europe – those people were entrepreneurs.

All of a sudden there is an awareness of the importance of the individual, of the entrepreneur. In the 1960s – that was the era of conglomeration – large corporations were put together and the larger the company became the better it was supposed to be. These individual pieces, many of which did not relate to the others, were put together in a loose-knit form controlled by a superior body. This body was an administrative body and individual companies stultified. They became lost in the maze of bureaucratic paperwork. An individual can be an entrepreneurial individual; a company can be an entrepreneurial company; and a government can be an entrepreneurial government. If, in each of those cases, there is to be success, the entrepreneurial spirit must exist.

The *New York Times* some months ago ran a page discussing entrepreneurism. I disputed its content. They implied that an entrepreneur exists in a small environment. That is not true. Entrepreneurism is a state of mind. It is not a condition of size. An entrepreneur does not believe that the company, the individual or the government should run on consensus opinion. Consensus opinion leads to mediocrity. The individual should not have the courage of someone else's convictions. He must stand for what he believes in. He must be counted. He must be true to his faith and his beliefs and he cannot be caught up in the so-called corporate ball-game or the governmental pressures so that he violates his own basic principles.

Recently I spoke at the American Association of Collegiate Business Schools and Graduate Business Schools in the United States, representing seven hundred and eighty universities in the United States. The subject was: "Can Entrepreneurism Be Taught?" It was, and is, a very highly-contested issue in the educational process of the United States. My feeling is that you cannot instill the feeling of entrepreneurism in an individual; but you can direct it and you can point out guidelines and the dangers. You must point out, for example, that the entrepreneur lives a very lonely life, because he makes the ultimate decisions and the buck stops with him. The entrepreneur does not believe in consultants. To him a consultant is like a castrated bull – he can advise but he cannot perform. My apologies to anyone in that profession here.

... Can entrepreneurism be taught? ...

How is it that each year more inventions, more patents come from small companies and individuals than from the very large corporations? How is it that in the last year there was more job creation in individual enterprise and small business than there was in large corporations? The world is changing, and the entrepreneur is ready, if he is an entrepreneur, to seize the opportunity.

In my opinion, life is a game. You play it to win. And if you think of yourselves and your life, you realize of course that there are twenty-four hours in a day and you sleep perhaps eight hours. That leaves sixteen hours remaining. In your lifetime you will probably work fifty per cent of those waking hours – eight hours a day! If that is what you are going to be doing, you should do it as well as you can.

... life is a game. You play it to win ...

The Empire Club is a group of achievers. You have worked beyond the norm. But for the average person out there, up until within the last three or four years, work and business was something to be shunned. It was something to get through as quickly as possible, no matter how you performed the job. Quality was lost. Interest was lost. Your goal, if you were one of them, was to get through whatever you had to do to earn a living so that you could go home and have a bottle of beer and watch the Remington commercials on the television set. It has changed now. The youth today look at business as an opportunity. They look at playing this game. When I graduated from the Harvard Business School, I had no place to go. I did not have a family business. I did not have any relationship with a large corporation. I looked at my peers at the school and I thought I was as good as they were, but unless I were to do something that was different, I would not have the successes they would have. So, when I started to work – and I searched for a position that I thought my abilities would assist me in, which was then foreign trade – I went to Lever Brothers. I ended up in "foreign trade" – I sold cosmetics in Cleveland.

I did something a little different from most of my competitors in the Lever organization, and most of my competitors from Procter and Gamble and Colgate – Lever's two major competitors in the United States. I would get to work at eight o'clock in the morning and I used to go to play the game. I did not go to work. I played to win. And I would work from eight o'clock in the morning until nine o'clock at night. I was a salesman calling on drug stores, corner grocery stores, department stores. I worked, not five days a week, but six days a week, because Saturday was a good day. I was the only salesman on the road. Of course some of the buyers were busy and perhaps a couple of them said I was inconveniencing them by coming in on Saturday, but they were willing to see me. While I would work seventy-two hours a week, my competitors were working nine to five with an hour off for lunch, five days a week – thiry-five hours a week. I found that the time that I devoted to selling, produced results. I was promoted, became a supervisor, and was sent to manage the boys in North and South Dakota, Minnesota, Wisconsin, Iowa, Nebraska, and Illinois. At that time I was relatively young, operating out of Minneapolis with eight people spread out, non-visible – I never knew how or when they would go to work or when they would stop. This was the real test. I could motivate myself; but how could I motivate these people and give them the basic drive when they ranged from the older man, who had been with the company thirty-one years to a young chap who had joined the company three months before? I decided, and it has been my basic philosophy ever since, that in managing, you should be very simplistic. Just have a policy of "do as I do, not as I say".

So you perform, and they perform. I went into Remington in a very difficult situation. First of all, it was high risk: it was a leverage buy-out. I had been steeped in entrepreneurism both in a large corporation and then as chairman of my own company which was a public company, but I did not have a big position in the stock. However, I felt that I knew how to run a business from a marketing and strategic sense; more than that – and most important – I knew how to deal with people. I walked into Remington borrowing $24½ million of a $25 million purchase price and interest rates for us hit 23½ per cent that year in the United States. We were borrowing at three and a half per cent over prime! When I walked in, the company was in a state of complete moral disintegration. The parent corporation, over a period of three to four years, had tried to sell this company and nobody wanted it. The Remington employees were worried about continuing in their jobs because they did not think that the company would continue. Why would I risk all that when I knew that the people were going to be a problem and that there was a terrible debt load? One reason: the product.

> *... No matter what business you are in, if you have a superior product, it is worth the risk ...*

No matter what business you are in, whether you are in a service business or whether you are in a product business or a manufacturing business, if you have a superior product, it is worth the risk. You have to figure out how to sell that product or that service or whatever it is you are offering, but if you do have something superior, do not let the odds stop you. The risk/ reward ratio is what should govern the decision. When I looked at the potential reward if we were successful, and when I looked at what I had to work with tangibly, the risks of the financial nature and the people-problem, became secondary.

I went into Remington realizing that I had to do something quickly. I eliminated seventy thinkers, seventy consultants within the first week. They happened to be employed, but they were consultants. I reduced the payroll by $2 million. But what about the rest? There were many good people who were leaving. I didn't know what to do to stop the drain because this company now no longer had its umbilical cord attached to its parent. I told them there was no more money. We had to create a new type of company.

The first thing I did was to call everyone in the company together, in the factory area. I told them that we were just like the first settlers; we must circle the wagons and every group in that company must be responsible for their particular area. They had to fight in their sector. I also told them that there was no difference between any individual on the job: there would be no differentiation; there would be no blue collar; there would be no white collar; there was only one collar – a Remington collar. There would be no pay differences. When we began we found that the white-collar people received a different wage increase each year than the blue-collar people. We said there would be no perks. There would be no differentiation on the job. Of course, people were paid differently, there is no question about that; the chief financial officer made more than the fellow cleaning the parking lot. But if the fellow in the parking lot cleaned it up and it was beautiful, I would spend just as much time thanking him for a job well done as I did to the chief financial officer who may have managed $5, $10 or $15 million successfully.

As a result of that, we created a company that is not only operative from a point of view of no differences on the job, but is also operative on the basis of high incentive. Some of those incentives are measureable; others are arbitrary at the end of the year, based on the performance of the company. These are not meaningless percentages. The chief financial officer, for example, earned sixty per cent of his pay for 1984 from the incentive. The base salaries in our company are lousy. But the total earnings, if we are successful, are great!

Now, we are playing a tough ball-game. We are a little bit like Canada. Canada is not a super power yet – I believe it will get there. It has the resources. We are the smallest company in our industry. We now do $160 million. In my first year, which was five years ago, the company did $47 million. But, we are playing in an international ball-game – just like Canada is playing in the international ball-game. Our nearest competitor, Gillette which markets Braun, has an annual turnover of $3 billion. Our next competitor, Phillips, has a turnover of $22 billion, and our largest competitor, the parent of Panisonic, has a turnover of $50 billion. Yet, our sales of shavers have gone from 1,200,000 units in my first year to 4,800,000 units in 1984. We sell one out of every two electric shavers sold in the United States today – up from one out of every five; and one out of every four electric shavers sold in the world.

We are dedicated to being profitable – but we are also dedicated to win. Our goal is to be Number One in electric shavers in the world. We have never paid a dividend. Why? Because we cannot afford it. Yes, we make money but we are re-investing it in our business. We are not looking to make a quick buck nor are we green mailers. We are investors for long-term growth. In our company we are truly investing: our advertising budget has gone from $4½ million in my first year to $32 million worldwide today. We are building for the future, and our people are not the 500 people that we employed when we started the company six years ago; worldwide Remington now numbers 2,100 people.

We are truly an entrepreneurial company, existing in a world where this will determine the success or failure of individuals, of government and, of course, of corporations. There is a marvellous exchange in Cyrano de Bergerac in which the Conte de Guiche, after referring to Don Quixote, reminds Cyrano that: "Windmills, if you fight with them, may swing round their huge arms, and cast you down into the mire." Or, as Cyrano said, "up among the stars".

* * *

The appreciation of the audience was expressed by MGen. Bruce J. Legge, Past President of the Club, and President, The Empire Club Foundation.

Head Table

Willis Blair
Chairman, Liquor Licence Board of Ontario
Director & Acting Secretary of the Club

Diana Chant, C.A.
Price Waterhouse
Treasurer of the Club

George Corn, F.C.A.
Partner, Dunwoody & Co., Auditors for the Club

Peter Crossgrove
President, ITCO Properties
Chairman, Ont. Chapter Y.P.O.

Clarence Crummey, M.D.
Director of the Club

Douglas Derry, F.C.A.
Partner, Price Waterhouse
Past President of the Club

C. Warren Goldring
President, AGF Management
Director of the Empire Club Foundation

Ronald Goodall, F.C.A.
Partner, Goodall & Peacock
Director of the Club

Hans Grubmayr
General Manager, Royal York Hotel

Charles C. (Bud) Hoffman
President, Business Planing Associates Inc.
Director of the Club

Roy W.R. Kendall
President, Procter & Gamble Inc.

Montague Larkin, C.A.
Bache Securities Inc.
Second Vice President of the Club

MGen. Bruce Legge, Q.C.
Partner, Legge & Legge
Past President of the Club
President, The Empire Club Foundation

Nona Macdonald
Communications Consultant, Univ. of Toronto
Director of the Club

The Rev. Robert Oliver
Visiting Minister, Timothy Eaton Memorial Church

D.G. Reekie
President & Chief Executive Officer,
CAE Industries Ltd.

Harry Seymour
President, Dominion Securities Pitfield Investment Management Ltd.
First Vice President of the Club

EMPIRE CLUB

THE RECEPTION COMMITTEE, 1984-85:
Leland Ausman; Dr. James Parish; Dr. Clarence Crummey, Chairman; Leslie Parkinson and Gordon Steele

THE EMPIRE CLUB OF CANADA

Annual General Meeting

PRESIDENT'S REPORT

April 25, 1985

The President
Catherine R. Charlton, M.A. Chairman

C.R. Charlton

Honoured guests, ladies and gentlemen: Notice has been provided that our annual meeting is to be held on this date, and I have asked the club's Acting Secretary, Mr. Willis Blair, to act as secretary for the meeting.

In accordance with Article VI, Sub-section 2 of the Empire Club constitution, I am pleased to report on the year's proceedings and work, together with an interim report on our financial affairs. The audited financial statements, as is customary, will be included in the 1984-85 *Yearbook*.

The Annual Report has been printed and copies have been placed on each table for your review.

I am pleased to submit the annual President's Report on the 1984-85 operations of The Empire Club of Canada.

This has been an exceptional year in a number of ways, and it is a pleasure for me now to highlight several of the club's activities.

Nineteen eighty-four – nineteen eighty-five was an outstanding year for Canada. As is the tradition of the Empire Club, we joined in marking important events. Her Majesty's visit in October, 1984, was a happy occasion for all; the Pope's visit in mid-September was unique in our history; the federal election in September also proved to be historic.

I am glad to say that the club's past presidents, directors and members joined in celebrating these events. The 1984-85 *Yearbook* will record that we opened the season with our annual Canada Day Luncheon to which the Toronto Children's Chorus added a happy note of celebration. In August, two joint Empire Club – Canadian Club meetings were called to hear the Hon. Brian Mulroney, then Leader of the Opposition, followed by the Rt. Hon. John Turner, Prime Minister. In September, the club was singularly honoured to host the Secretary of State for the Vatican. This was the only private event during the Canadian visit of Pope John Paul II, and reflects the fact that the Empire Club is indeed the première speaking forum in Canada.

The strength of the club is vested in its past presidents whose service to Queen and country is an example to us all. Last year two of our past presidents were deeply involved in the Royal Visit. Col. Robert Hilborn, L.V.O., M.B.E., C.D., was Director General of the Royal Visit for the province of Ontario, while MGen. Reginald Lewis, C.D., was Chairman of the Royal Visit Committee for the city of Toronto. I know that you join me in congratulating General Lewis and Colonel Hilborn on a job well done. As your President, I was privileged to represent the Empire Club at the Sesquicentennial Luncheon and the Bicentennial Dinner for the Queen, both of which were memorable occasions.

Special events continued to punctuate our program in 1985. Lord Carrington, the newly-appointed Secretary General of NATO, spoke to an enthusiastic audience on January 23. In February, the directors, past presidents and their guests honoured retiring Premier Davis and Mrs. Davis at a dinner at the Albany Club. The event itself broke tradition, because it was the first such occasion to which guests had been invited. This, the last month of meetings, has rounded out the year with two gala events – the fourth annual Empire Ball on April 19, and last night's dinner for the Man of the Year,[1] the President of the 1984 Los Angeles Olympics Organizing Committee and now Commissioner of Baseball, Mr. Peter V. Ueberroth. We have indeed enjoyed an unusual number of special events, during an exciting period for Canada.

At the same time, I could not overlook the primary importance of our Thursday luncheons. These are the backbone of the club's program and I am indebted to the men and women who have so generously responded to my invitation to address the club – for the glory of it, it would appear, since we have never, and do not now pay either fees or expenses to our speakers. The subjects addressed included the nation, international affairs, public policy, the economy, public opinion, the arts, and business. Our speakers were bankers, authors, journalists, pollsters, economists, businessmen, dancers and diplomats. They will all appear in the 1984-85 *Yearbook* which is both a public record and a very welcome resource of happy memories for me.

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[1] *Peter V. Ueberroth was designated "Man of the Year" by* Time *magazine, and appeared on the magazine's cover, January 7, 1985.*

But the speakers require a platform, and it is the business of the Empire Club to ensure that all runs smoothly. This year the club has re-organized. On May 7, 1984, we hired Anne Lato to be the new administrator and then we proceeded to review all of the club's systems and practices. The office was rejuvenated with modern furniture, all of which was donated through the good offices of our directors and past presidents, and basic equipment was purchased. It is hard to believe that an office serving some 2,800 members, in the latter half of the twentieth century, could operate without a photocopier or an automatic stamping machine, but that was the case here until 1984-85.

Our new administrator, the helpful, cheerful and efficient Anne Lato, is most welcome and I speak on behalf of all when I thank her for her outstanding contribution throughout the year. The challenge was offered, she accepted it, and she has prevailed. She is assisted by our other new employee, Joan McDonald, whose grace and talents further enhance our activities.

Anne Lato, the Club's administrator; and her assistant Joan McDonald

The membership in 1984-85 continued to be strong with 2,857 members, including spousal members. Attendance at the meetings has been consistently high, with an average of 367 attending twenty-nine of thirty meetings over the season.

The financial statement for the year ending April 30, 1985, will be presented to the Board of Directors at their May meeting, and will be published in the 1984-85 *Yearbook* for delivery to the members early this fall. Once again, we expect revenue to exceed expenses. You will recall that the membership fee was increased from $25 to $30, while the luncheon fees were held at $12 for members and $15 for guests, regardless of an overall increase in price to the club. The proceeds from the Empire Ball constitute a very important donation from the club to the Foundation. This year we will again contribute to the Foundation's work for the publication of the *Yearbook*.

Finally, with regard to the Empire Club *Yearbook,* I do want to remind everyone of what an important commentary it offers on the social and economic history of Canada, the Commonwealth and beyond, since 1903. I look forward to publishing this year's speeches, and with the cooperation of the Foundation, have had the format re-designed for what we hope will be an interesting and engaging book. Club members will be reviewing it for themselves early this fall.

It has been a pleasure for me to lead the Empire Club this year; to meet each Thursday with our members and their guests for an interesting and informative interlude in a week's work. The smooth operation of the meetings is due in large part to the efforts of the Board of Directors, for whose dedication I am grateful. (The list of Committees and Committee Chairmen is attached.) In particular, I should like to recognize the Chairman of the Reception Committee, Dr. Clarence Crummey, and the Chairman of the Head Table Reception Committee, Mr. Chas. C. (Bud) Hoffman. Their contribution each Thursday is invaluable. I have particularly asked them to be present at the head table today so that I may publicly express my deepest thanks for their constancy and dedication. In the same vein, I want to say how grateful I am to the President of the Foundation, MGen. Bruce J. Legge, for his sage advice and generous support. Mr. Sydney Hermant, Senior Past President of the club, has also been helpful and has participated with distinction on behalf of the club's Past Presidents.

Thank you all for your assistance and good wishes throughout the year. I leave the President's office knowing that the Past Presidents, the Board of Directors, and you, the members, will extend the same kind of invaluable support to my successor, Mr. Harry Seymour, who brings high qualifications and deep experience to the position.

Respectfully submitted

CR. Charlton

Catherine R. Charlton, M.A.
President

Committees of the Board, 1984-85

Executive:

President	Catherine R. Charlton, M.A.
1st Vice President	Harry T. Seymour
2nd Vice President	Montague Larkin, C.A.
3rd Vice President	Michael Meighen, Q.C.
Secretary	Patrick Boyer
Acting Secretary	Willis Blair
Treasurer	Diana Chant, C.A.

Budget and Finance	
Chairman	Diana Chant, C.A.
Membership	
Chairman	Dennis Madden
Attendance	
Chairman	R.A. Robertson
Head Table	
Chairman	The Rev. Harold F. Roberts
Head Table Reception	
Chairman	Chas C. (Bud) Hoffman
Reception	
Chairman	Clarence B. Crummey, M.D.
Publicity	
Chairman	Nona Macdonald
Weekly Notices	
Chairman	A. Carlyle Dunbar
Past Presidents' Dinner	
Chairman	Ian D.C. McPhail

Constitution and Legal

Chairman	R. Bredin Stapells, Q.C.

Special Events

Chairman	Harry T. Seymour

Administration and Music

Chairman	Montague Larkin, C.A.

Ms. Charlton moved acceptance of the Annual Report, which was seconded by Leland Ausman.

The President then called upon the Immediate Past President and Chairman of the Nominating Committee, Douglas Derry, for the report of that committee.

Douglas Derry

Madam President, distinguished guests, members and friends of the Empire Club of Canada: I am pleased, as chairman of the Nominating Committee, to report to you on the work of that committee which was constituted in accordance with article III of the club's constitution and which was comprised of these members. From the Board of Directors: J.A. Collins, D.L. Derry, F.C.A., N. Macdonald, J.A. MacNaughton, H.F. Roberts; from the membership at large: P. Hermant, W. Karn, B.J. Legge, the Hon. Mr. Justice J.H. Potts. Our President, Catherine R. Charlton, served on the committee in an ex-officio capacity.

The Nominating Committee is pleased to report the following slate of officers and directors for the club year 1985-86.

Officers and Directors, 1985-86

Honorary Officers

Honorary President	Her Excellency the Rt. Hon. Jeanne Sauvé, C.C., Governor General of Canada
Honorary Vice President	The Hon. John B. Aird, O.C., Q.C., B.A., LL.D., Lieutenant Governor of Ontario
Honorary Chairman	His Excellency the Rt. Hon. D. Roland Michener, P.C., C.C., C.M.M., C.D., Q.C.
Honorary Chaplain	The Very Rev. Ernest M. Howse, S.T.M., Ph.D., D.D., Litt.D.
Honorary Secretary	Mr. Dennis Flynn, Chairman, Metropolitan Toronto Council
Honorary Treasurer	Mr. Marvin Gelber
Honorary Solicitor	The Hon. William G. Davis, P.C., Q.C.
Honorary Assistant Secretary	Mr. W. Malcolm McIntyre

The Nominating Committee is pleased to report that Mr. Willis L. Blair, currently a Director of the club, will become our Secretary and that Mrs. Diana Chant will remain as the club's Treasurer. Mr. Leland Ausman will continue to serve as the club's Archivist.

The Nominating Committee unanimously recommends that the following serve as Members of the Board of Directors for 1985-1986:

Directors

Setrak Adourian
BGen. Stephen Andrunyk
Sarah A. Band
Jean Casselman-Wadds, O.C.
Catherine R. Charlton
Paul D.J. Clark
Jerry A. Collins
*Marie Corbett Q.C.
Clarence B. Crummey, M.D.
*Ross DeGeer
Douglas L. Derry, F.C.A.
*Carlyle Dunbar
*Blake Goldring
Ronald Goodall, F.C.A.
Lorraine Gotlib, Q.C.
Robert F. Gulliford
John D. Herrick
Chas. C. (Bud) Hoffman
The Hon. Daniel Lang, Q.C.
Montague Larkin, C.A.
John P. MacBeth, Q.C.
Nona Macdonald
*The Hon. Roy MacLaren, P.C.
H. Dennis Madden
Michael A. Meighen, Q.C.
Dr. James A. Parish
Leslie C. Parkinson
Bruce Rankin
Rev. Harold F. Roberts
Jean-Pierre Scheidegger
*Angus Scott
Margaret Scrivener, M.P.P.
Harry T. Seymour
Lindsay K. Shaddy
Dr. Reginald Stackhouse
Gordon G. Steele, M.Com.
LCol. Garry S. Thomson, C.D.
*Robert Watt
J.A. Wm. Whiteacre, Q.C.
Kenneth G. Whiteside, C.A.

The following will be proposed to the Board of Directors for appointment to the three posts of Vice President:

First Vice President	Nona Macdonald
Second Vice President	Michael A. Meighen, Q.C.
Third Vice President	Ronald Goodall, F.C.A.

Your Committee is pleased to nominate for the presidency of the Empire Club of Canada for the 1985-86 season, Mr. Harry T. Seymour. Mr. Seymour first became

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**Nominated as new members of the Board of Directors.*

a Director of the Empire Club in 1975 and after two years' absence when living in Montreal returned to the Board in 1979. He has been very active since that time in a wide variety of club activities, including chairing the Membership Committee and, most recently, co-chairing the 1985 Empire Ball.

His varied education will undoubtedly assist him in the selection of many outstanding speakers during the next year. He first obtained a degree in agriculture from the Ontario Agricultural College (now the University of Guelph), followed by an engineering degree at the University of Toronto and an M.B.A. from the University of Western Ontario in 1966. Upon graduation, he joined Pitfield, MacKay Ross Ltd., where he held increasingly senior positions until their merger a year ago to form the new firm of Dominion Securities Pitfield Ltd. He is a Vice President and Director of that organization, and is President and a Director of its subsidiary, Dominion Securities Pitfield Investment Management Ltd.

Mr. Seymour has been active and has held senior positions in a number of organizations including the Alumni Association and the Advisory Council of the University of Guelph, the Eastbourne Community Association, the Eastbourne Golf Club and St. Andrews Church, Westmount, Quebec.

Ladies and gentlemen, I am honoured to place Mr. Seymour's name in nomination for the presidency of the Empire Club of Canada. Your Nominating Committee is confident that he will provide the able leadership that has been characteristic of this club since its founding.

This concludes the report of your Nominating Committee.

Douglas Derry moved that the report be accepted. Seconded by Margaret Scrivener. There being no further nominations, Gordon Steele moved that nominations be closed. Seconded by James Parish.

C.R. Charlton

The President then asked the Acting Secretary, Willis Blair, to cast a single ballot in favour of those persons named in the report of the Nominating Committee. A ballot having been cast, the President declared the members properly elected as Directors of the Empire Club of Canada for 1985-1986.

She said that she was pleased to extend her sincere congratulations to the President-elect, Mr. Harry Seymour, and passed to him the chain of office.

Harry Seymour

Madam President, distinguished head table guests, members and friends of the Empire Club: I thank you, Mr. Derry, and your committee, for nominating me as your President-elect for 1985-86.

It is indeed a great honour and a pleasure to stand before you as President-elect of this most distinguished club as it embarks upon its eighty-third (83rd) year. I can assure you that I will endeavour to maintain the high standards of both the club and the Empire Club Foundation. To live up to such a commitment any President needs the enthusiastic support of the two thousand and eight hundred (2,800) members of the club.

On behalf of all of us I would like to take this opportunity to express our deep appreciation to Catherine Charlton for her dedication to the office of President this year – indeed a most memorable year in the history of the club. Your selection of speakers has been outstanding. Your efficient management style and attention to detail is appreciated by all!

As we prepare to carry the values and ideals of the club through its eighty-third year, old traditions and new frontiers present themselves for examination. As is our tradition, we will join the Royal Commonwealth Society for a Dominion of Canada Day luncheon. Please mark this day on your calendar – Wednesday, June 26: details will follow shortly.

New frontiers – heart transplants and space travel – will be examined by Dr. Allen Lansing and Marc Garneau respectively. Your 1984 income tax returns will be discussed by the Hon. Perrin Beatty on October 24 – the first day for refunds!

As I enter this office I am buoyed in the knowledge that we have a strong and active Board of Directors. Their dedication to upholding the values and ideals of the club make the task of President much easier. On this point, would the new Board of Directors please meet me at the end of the head table following this meeting.

Again, to Mr. Derry and his committee, the Board and the members of the club, thank you for the opportunity to serve as your President in 1985-86. To Catherine Charlton, thank you for an outstanding 1984-85, ensuring the continued well-being of the club.

C.R. Charlton

Thank you, Harry Seymour. I know I speak for everyone in this room when I say that you can count on our support in the coming year.

Auditors' Report

To the members
The Empire Club of Canada

We have examined the balance sheet of The Empire Club of Canada as at 30 April, 1985, and the statements of members' equity and revenue and expenditure for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Club as at 30 April 1985 and the results of its activities for the year then ended in accordance with the accounting principles as set out in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Dunwoody & Company

DUNWOODY AND COMPANY
CHARTERED ACCOUNTANTS

Toronto, Ontario
19 June 1985

Financial Report

THE EMPIRE CLUB OF CANADA

Balance Sheet as at 30 April 1985

	1985	1984
Assets		
Current		
Cash and short term deposit receipts	$168,408	$112,216
Accounts receivable	7,143	2,034
Inventory	547	440
	$176,098	$114,690
Fixed assets	1	1
	$176,099	$114,691
Liabilities		
Current		
Accounts payable	$ 29,247	$ 5,944
Due to the Empire Club Foundation	61,136	47,327
Membership fees and luncheon tickets paid in advance	7,779	6,891
	98,162	60,162
Members' Equity		
Life Membership Reserve, note 2	21,300	19,900
Surplus	56,637	34,629
	77,937	54,529
	$176,099	$114,691

Commitment, note 3

Approved on behalf of the Board

C.R. Charlton, M.A. R. Goodall, C.A.

Directors

Financial Report

THE EMPIRE CLUB OF CANADA

Statement of Members' Equity for the Year ended 30 April 1985

	1985	1984
Surplus, beginning of year	$ 34,629	$21,085
Transfer to life membership reserve	(1,400)	(2,600)
Excess of revenue over expenditure for the year	23,408	16,144
Surplus, End of Year	56,637	34,629
Life Membership Reserve, Beginning of Year	19,900	17,300
Add: Transfer from surplus, note 2	1,400	2,600
Life Membership Reserve, End of Year	21,300	19,900
	$ 77,937	$54,529

Financial Report

THE EMPIRE CLUB OF CANADA

Statement of Revenue and Expenditure for the Year ended 30 April 1985

	1985	1984
Revenue		
Membership fees	$ 70,663	$ 66,644
Luncheons – net	29,944	30,542
Interest	12,868	5,575
Others – net	9,668	9,153
	123,143	111,914
Expenditure		
Members' notices	26,810	28,843
Office salaries and employee benefits	25,714	31,563
Yearbook donation and sundry expenses	11,862	7,000
Publicity and promotion	2,939	2,498
Printing, stationery and postage	9,096	12,736
Rent	7,024	6,848
Meetings	640	1,943
Office and general	14,380	3,399
Telephone	1,270	940
	99,735	95,770
Excess of Revenue over Expenditure for the year	$ 23,408	$ 16,144

Financial Report

THE EMPIRE CLUB OF CANADA

Notes to Financial Statements for the Year ended 30 April 1985

1. *Significant Accounting Policies*
   The following is a summary of significant accounting policies of the Club:
   (a) Inventory
   Inventory is valued at the lower of cost and net realizable value.
   (b) Fixed Assets
   Fixed assets, consisting of office furniture and equipment, are recorded at nominal value and additions are recognized as an office and general expenditure in the year acquired.
   (c) Due to the Empire Club Foundation
   A donation to The Empire Club Foundation for the estimated cost of supplying the Club's membership with the yearbook of the current year is accrued each year. The balance represents the estimated costs of unpublished yearbooks.

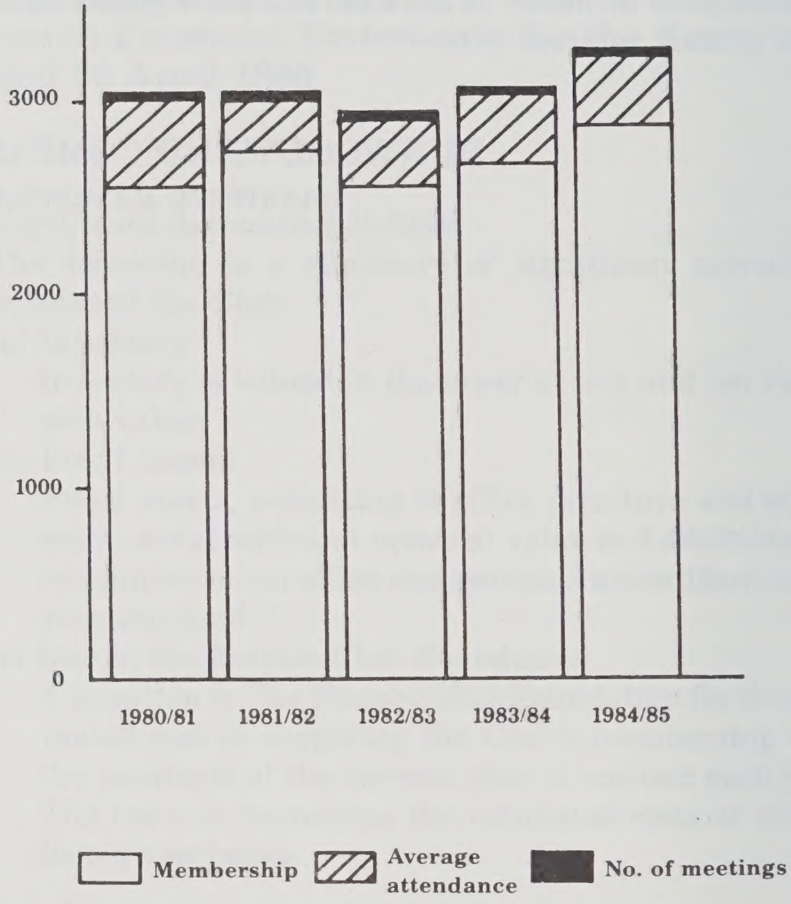
2. *Life Membership Reserve*
   Term deposit receipts are segregated as funding for this reserve in order to provide a continuing income to sustain the membership costs of life members. The reserve has been increased by $1,400 (1984 – $2,600) in the current year to allow for increases in the life membership roll.

3. *Commitment*
   The Club occupies office space which it shares with another society under a lease agreement expiring 30 September 1987 at a rental to be increased annually by 7.75%.

4. *Incorporation*
The Club was incorporated under letters patent in the Province of Ontario on 26 March 1912. The principal function of the Club is to provide a forum for prominent people to address members of the Club and their guests on topics of current interest.

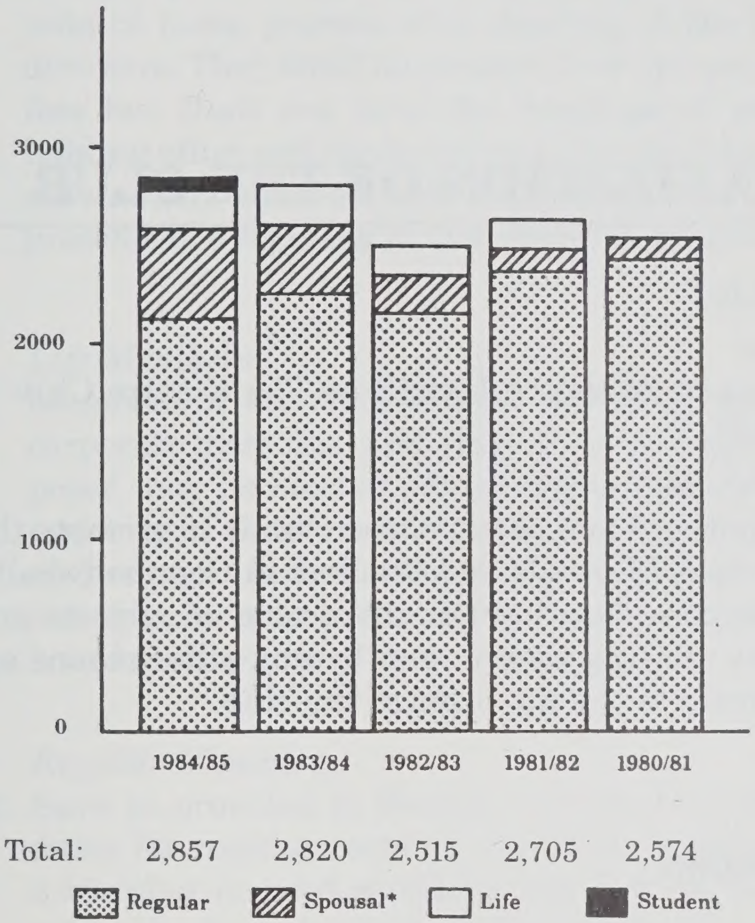
DUNWOODY AND COMPANY
CHARTERED ACCOUNTANTS

ATTENDANCE



Average Attendance	Year	Number of Meetings
368	1984/85	30
364	1983/84	29
345	1982/83	30
274	1981/82	29
409	1980/81	28

MEMBERSHIP



*counted as two individual memberships

MEMBERSHIP	1984/85	1983/84	1982/83	1981/82	1980/81
REGULAR	2,114	2,276	2,160	2,392	2,427
SPOUSAL	496	338	182	139	—
STUDENT	36	—	—	—	—
LIFE	211	206	173	165	138
TOTAL	2,857	2,820	2,515	2,705	2,574

Constitution

As amended April 26, 1973

ORGANIZATION OF THE CLUB

ARTICLE I

Name

1. The name of the club shall be The Empire Club of Canada.

Purpose and Object

2. The purpose and object of the club is to promote the interests of Canada and the British Commonwealth by the consideration and discussion of subjects and events relating thereto and by any other means appropriate to the facilities of the club.

Membership

ARTICLE II

Classes of Members

1. The membership of the club shall consist of:
   (a) Honorary members
   (b) Life members
   (c) Regular members
   (d) Corporate members
   All members of classes (a), (b), (c), must be the full age of eighteen years.

Honorary Members

2. Honorary members may be elected by the unanimous vote of those present at a meeting of the board of directors. They shall be exempt from the payment of fees but shall not have the privilege of voting or holding office and their membership shall be terminable at any time by a two-thirds majority of those present at a meeting of the board of directors.

Life Members

3. Members of the club in good standing (other than corporate members) and other persons regularly proposed may be elected life members by a two-thirds majority of those present at a meeting of the board of directors. Life members shall pay such a fee in one sum as may be fixed from time to time by the board of directors.

Regular Members

4. Save as provided in Section 5 of this Article candidates for regular membership shall be proposed by a member in good standing and shall be elected by a two-thirds majority of those present at a meeting of the board of directors.

   Save as provided in Section 5 of this Article regular members shall pay respectively such annual fees as may be fixed from time to time by the board of directors.[1] Members elected after the first day of March in any year shall pay one annual fee only in respect of the period from the date of election until the thirtieth day of September in the following year. No member in arrears for fees after January 1 shall be considered in good standing.

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[1] *By resolution of the Board, November, 1981, and under Article II, 4, of the Constitution, it was agreed that the club charge a lesser membership fee for spouses living at the same residence, and that this fee should be fixed annually.*

Corporate Members

5. Any company, partnership or business organization shall be eligible for election as a corporate member. Applicants shall be proposed by a member in good standing and the application shall contain the names and positions of the persons nominated by the applicant as its representative regular members. The applicant and its nominated representatives shall be elected by a two-thirds majority of those present at a meeting of the board of directors. A corporate member shall be entitled to nominate such number of its representative regular members as may be fixed from time to time by the board of directors and shall pay such annual fee as may be fixed from time to time by the board of directors, provided that such fee shall not be less than the aggregate fees which would have been payable on an individual basis by such representative members for the year in question. Save as in this section provided no fee shall be payable by or in respect of the representative regular members of a corporate member.

Directors

ARTICLE III

Duties and Powers

1. The affairs of the club shall be managed by a board of directors who may exercise all such powers and do all such acts and things as may be exercised or done by the club and are not by the by-laws or by law

directed or required to be done by the club at a general meeting of its members. At all meetings of the board of directors the chairman of the meeting shall have a casting vote.

Number and Quorum

2. The board of directors shall consist of forty members of whom sixteen shall constitute a quorum. The board of directors shall include at least four past presidents of the club, one of whom shall be the immediate past president and three others shall be the three past presidents immediately preceding the immediate past president if they are willing and able to act as directors.

Election of Directors

3. A nominating committee consisting of five members of the board of directors and four other regular members of the club shall be appointed annually by the board of directors at least thirty days prior to the annual meeting and shall prepare a list of nominations for directors for the ensuing year. The chairman or acting chairman of the nominating committee shall report the nominations of that committee to the annual meeting at which the board of directors shall be elected, but nothing herein shall preclude the nomination of other persons for the office of directors at the annual meeting. If nominations do not exceed the number of directors necessary, the chairman of the meeting may instruct the Secretary-Treasurer to cast one ballot in favour of those so nominated and thereupon such persons shall be declared by the chairman to have been duly elected. No person shall be elected a director unless he is a regular

member in good standing and is a Canadian citizen or a British subject.

Meetings of Directors

4. Meetings of the board of directors shall be called by the President, or on a requisition signed by three of its members. Written notice of such meetings shall be given to each director five days or more before the meeting is to take place, provided that a meeting may be held at any time if all the directors are present or if those absent have waived notice of or otherwise signified their consent to such meeting being held in their absence or have approved or signified their approval in writing to the proceedings taken at the meeting. The board may appoint a day or days in any month or months for regular meetings, at an hour or place to be named, and of such regular meeting, no notice need be given.

Casual Vacancies

5. In the event of any vacancy occurring in the office of director, the remaining directors may fill the vacancy from among the members for the unexpired portion of the term of office of the person whose office is vacant.

Officers

ARTICLE IV

1. The officers shall consist of an Honorary President, an Honorary Vice President, a President, First, Sec-

ond and Third Vice Presidents, an Honorary Treasurer, an Honorary Secretary, a Secretary and a Treasurer. The board of directors may from time to time elect or appoint such other officers as it shall deem necessary. The President and the Vice Presidents shall be directors of the club but other officers need not be directors. No person other than the Honorary President and the Honorary Vice President shall be eligible for office unless he is a member in good standing. The President shall, when present, preside at all meetings of the members and of the board of directors. During the absence or inability to act of the President, the Vice Presidents in order of seniority shall act as chairman at such meetings and otherwise perform and exercise the duties and powers of the President.

Appointment of Officers

2. The board of directors shall meet as soon as convenient after their election for the purpose of appointing the officers of the club for the period ending April 30 in the next year but each officer shall continue in office until his successor is elected.

Casual Vacancies

3. In the event of a vacancy occurring in any office the board of directors may fill the vacancy for the unexpired portion of the term.

Honorary Auditor

4. An Honorary Auditor shall be appointed at each annual meeting. An audited statement of the finances of the club for the fiscal year shall be published annually and a copy shall be sent to each member.

Committees

ARTICLE V

1. The following standing committees and the chairman of each shall be appointed by the board of directors as soon as convenient after the election of the board:
   (a) Budget and Finance Committee
   (b) Speakers' Committee
   (c) Membership Committee
   (d) Constitution Committee
   (e) Reception Committee
   (f) Publicity and Public Relations Committee
   (g) Yearbook Committee
   (h) Head Table Committee

   provided that for any year the board of directors may by resolution elect not to appoint any one or more of such committees.

2. The President or the board of directors may from time to time appoint such other committees as may be deemed expedient.

Meetings of Members

ARTICLE VI

General Meetings

1. The club shall hold general meetings weekly, if possible, from October to April, both inclusive, in each

twelve months with such intermissions as may from time to time be determined by the board of directors. Special meetings of the club may be called at any time by the President.

Annual Meeting

2. The annual meeting shall be held not later than April 30 in each year. At the annual meeting a report of the year's proceedings and work shall be submitted by the President and this report shall be accompanied by an interim report from the Secretary-Treasurer.

Notice of Meetings

3. Written notice of all meetings of members shall be given all members of the club before the date on which the meeting is to be held. Such notice shall be sufficient if addressed to the members, and deposited post paid in the post office in Toronto. The accidental failure or omission to give notice to any member shall not invalidate the proceedings at any meeting.

Quorum at Meetings

4. Sixteen members in good standing shall constitute a quorum at any meeting of the club, general, annual or special, and the chairman of the meeting shall have a casting vote.

Limitation of Business at General Meetings

5. No business other than the hearing of the addresses shall be introduced at any meeting of the club by any person other than the chairman of the meeting,

unless it has been submitted to the board of directors and received its approval.

Fiscal Year

ARTICLE VII

The fiscal year of the club shall end on such day in each year as may be fixed by the board of directors but unless so fixed by the board shall end on April 30.

Amendments

ARTICLE VIII

Subject to the provisions of The Corporation Act this constitution may be amended by the board of directors, but unless in the meantime confirmed by a majority of the members present in person at a meeting of the members duly called for that purpose, any amendment is effective only until the next annual meeting of members unless so confirmed thereat and, in default of such confirmation thereat ceases to have effect at and from that time, and in that case no new amendment of the same or like substance has any effect until confirmed at a meeting of the members.

The Empire Club of Canada

MEMBERSHIP, 1984-1985

Honorary Members

Kathleen Davis
The Hon. William G. Davis, P.C, Q.C.
J. Stanley St John
Sir Michael Scott

Life Members

Jack A. Adams
N. John Adams
Setrak Adourian
J. D. (Douglas) Alexander
John P. Alexander
Dr. Blandford M.E. Allan
William N. Allan
Graham H. Ambrose
Donald S. Anderson
BGen. & Mrs. S.F. Andrunyk
Leland H. Ausman
Ruby P. Avison

Victor V. Bagnato
John Bassett
Mr. & Mrs. Ian S. Baxter
S.E. Beare
D.S. Beatty
M.E. Louise Beck
Everton R. Belyea
Ferne Bennett
Dr. R. C. Bennett
Douglas W. Best
Bruce Birrell
Willis L. Blair
Norman Borins
R.L. Broad
F.B. Brooks-Hill
Arthur E. Brown
E.T.C. Burke

W. Allan Campbell
E.P. Carr
Charles Carter
Harvey Chatterson
Sir Arthur R.T. Chetwynd, Bt.
H. Spencer Clark
Eleanor Cook
Geo. A. Corey
Benedict G.R. Cotterill

LCol. John A. D. Craig
Dr. H.V. Cranfield, F.R.C.P. (C)
Dr. & Mrs. C. B. Crummey

Charles O. Dalton
G.C. Damiani, Q.C.
Bertha E. Davies
Fraser Deacon Sr.
Elvio Del Zotto
Dr. Duncan R. Derry
LCol. R. G. Douglas,C.D.
Jessie G. Drysdale
A.A. Duncanson
E.B. Dungey
Mr. & Mrs. E. A. DuVernet

Donald L.H. Eaton
Joseph L. Etherington
Frederick A. Evis, Q.C., M.D.

A.E. Fitzpatrick
Frank E. Forsdike
Col. C.S. Frost, Jr. Q.C., M.D.
Hilliard I. Funston

George Raymond Gibson
D.R. Gillelan
Graham Gore
J. Rennie Graham
John W. Graham, Q.C.
Kenneth G. Graham
Ian Griffin
John W. Griffin
Robert Glenn Groom

B. Halstead
E.H.P. Hamilton
George S. Hanson, M.B.E.
George M. Hargraft
Rudi Haussmann
Hon. Paul T. Hellyer, P.C.
Roland E. Henderson, Q.C.
R.I. Hendy
Adam B.T. Hermant
John D. Hermant
Peter Hermant
Sydney Hermant
John D. Herrick
Col. R.H. Hilborn,
L.V.O., M.B.E.
William S. Hill
Dorothy Hobbs
Mr. & Mrs. C.C. Hoffman
Dennis Holota
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The Empire Club Foundation

PRESIDENT'S REPORT

April 25, 1985

The President
MGen. Bruce J. Legge, C.M.M., K.St.J., E.D., C.D., Q.C.

This year was unusual in that the 1983-1984 yearbook, under the distinguished presidency of Douglas Derry, F.C.A., was issued before that of the 1982-1983 yearbook, under the distinguished presidency of Henry Stalder, who now resides in Australia. The directors of the Foundation are very pleased that, despite the difficulties of publishing, both yearbooks have been printed, issued to every member, and sent to the educational libraries of Canada in accordance with the objectives of The Empire Club Foundation.

Since 1977, I have been the President of the Foundation, and our success would not have been possible without the work of our directors, particularly that of the Honorary Treasurer, Major General R.W. Lewis. The Foundation operates through the voluntary activities of its officers, and only because of this, are we able to publish and distribute the famous yearbooks of The Empire Club of Canada.

General Lewis joins me in wishing Colonel Robert Hilborn, L.V.O., M.B.E., C.D., and Ronald Goodall, C.A., as Honorary Treasurer, every satisfaction and success in continuing the work of the Foundation.

On leaving the presidency, I should like to thank Arthur E.M. Inwood, Fraser Deacon, and Donald G. Neelands, who have loyally served the Foundation for many years and are now retiring.

The nominating committee consisted of Past President John W. Griffin and myself, and we welcome as Directors, Ronald Goodall C.A., Sarah Band, Nona Macdonald and Paul Clark who will be valuable new assets to the Foundation.

I congratulate Miss Catherine Charlton on the splendour of her presidency and on the success of the Empire Ball, which produced a profit of $11,000.00, under the chairmanship of Harry Seymour and Nona Macdonald.

Above all, I thank those who both privately and corporately have so generously contributed to the good works of the Foundation.

BJ Legge

B.J. Legge, Q.C.
President

The Empire Club Foundation

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Auditors' Report

To the members
The Empire Club Foundation

We have examined the balance sheet of The Empire Club Foundation as at April 30, 1985 and the statement of income and expense and members' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Empire Club Foundation as at April 30, 1985 and the results of its operations for the year then ended in accordance with the accounting principles outlined in Note 2, applied on a basis consistent with that of the preceding year.

Smith, Nixon & Co.

SMITH, NIXON & CO.
CHARTERED ACCOUNTANTS

Toronto, Ontario
19 July 1985

Financial Report

THE EMPIRE CLUB FOUNDATION

Balance Sheet as at 30 April 1985

	1985	1984
Assets		
Current Assests		
Cash	$ 1,466	$ 40,416
Due from Empire Club of Canada	61,136	47,327
	$ 62,602	$ 87,743
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 37,150	$ 73,500
Members' Equity		
Equity	25,452	14,243
	$ 62,602	$ 87,743

Signed on behalf of the Board

Legge

MGen. Bruce Legge MGen R.W. Lewis

Directors

Financial Report

THE EMPIRE CLUB FOUNDATION

Statement of Income and Expense and Members' Equity For the Year Ended April 30, 1985

	1985	1984
Income		
Donations:		
Empire Club of Canada	$ 11,000	$ 7,000
Supporters	22,982	10,465
The Empire Ball	11,668	9,628
Interest	2,923	1,495
Book sales	36	96
	48,609	28,684
Expense		
Yearbook	36,572	39,500
Stationery, postage and other expenses	828	491
	37,400	39,991
Excess of Income Over Expense (Expense Over Income) For the Year	11,209	(11,307)
Members' Equity – Beginning of Year	14,243	25,550
Members' Equity – End of Year	$ 25,452	$ 14,243

Financial Report

THE EMPIRE CLUB FOUNDATION

Notes to Financial Statements for the Year ended April 30, 1985

1. *The Foundation*
   The Foundation was incorporated on January 22, 1969 under the laws of Canada as a non-profit organization. The principal function of the Foundation is the publication and distribution of yearbooks, containing the texts of addresses to the Empire Club of Canada, to the Club's members and libraries across Canada. The Foundation's activities are funded by donations.

2. *Accounting Policies*
   The Foundation includes donations in income when received except for donations from the Empire Club of Canada which are included in income when pledged. The estimated cost of publishing and distributing yearbooks of the current year is accrued each year.

SMITH, NIXON & CO.
CHARTERED ACCOUNTANTS